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Self-esteem and the art of being®

contents

FEBRUARY 1977/VOL. 8, NO. 10
A forum for analysis and commentary, with an emphasis on individual liberty

FEATURES

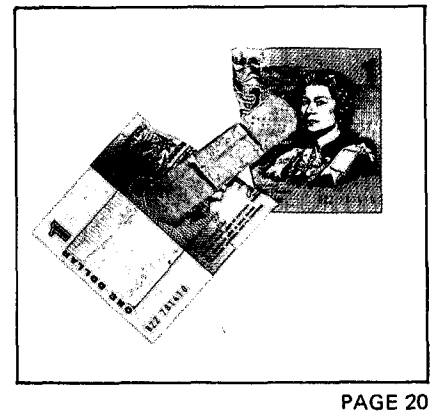
WHY CARTER'S GAME PLAN WON'T WORK
By Yale Brozen 14

ROLLING BACK SOCIALIZED MEDICINE
By Mark Tier 20

GETTING FROM HERE TO THERE
By John Hospers 24

MARKETING LIBERTARIANISM
By Moshe Kroy 30

LEGGETT: 19th CENTURY LIBERTARIAN
By Steven K. Beckner 32



PAGE 20

DEPARTMENTS

LETTERS 4

EDITORIAL/Here Comes Carter!/Robert Poole, Jr. 6

QUICKIES/Bill Birmingham 10

TRENDS/Robert Poole, Jr. 11

FOREIGN CORRESPONDENT: New Zealand
Pseudo Progress/Victor Filmer 36

VIEWPOINT/The Art of Scapegoating/Tibor R. Machan 37

BOOK REVIEW: Defending the Undefendable/Sharon Presley ... 38

MOVIES: Silver Streak, Carrie, Bound for Glory, Bests of '76 ... 40

WASHINGTON WATCH/Alan Bock 41

SPOTLIGHT: Winfred Thornton/Mark Frazier 42

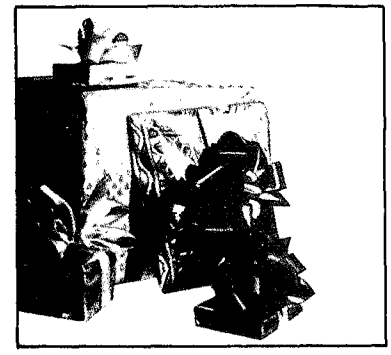
MONEY/Corporations: Privateness and Legitimacy
Davis E.Keeler 43

FRONTLINES/Joe Cobb 44

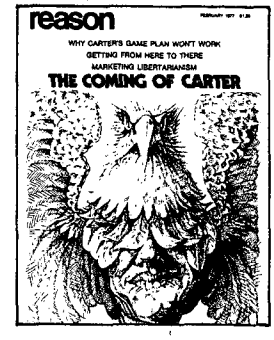
PUBLISHER'S NOTES/Manuel S. Klausner 46

RUDEBARBS 48

CLASSIFIEDS 48



PAGE 30



This month's cover by Don Wood depicts the reality of Carter's assuming the mantle of power, even if his image allows others to call him "Jimmy."

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LETTERS

BOOK ISSUE: YES

Congratulations on the November Book Review issue—it was great!! Marty, you really did a fine editing and coordinating job; and, in answer to your editorial question ("Do the readers find [a special book review issue] of value?"): *this* reader definitely *does* find great value in such an issue. Firstly, I very much enjoy reading essay-reviews by such fine libertarian theorists as the eminent John Hospers, George Smith, Jeff Paul, Tom Moore, and Bill Marina (not to mention the other outstanding contributors!!). Secondly, it's very useful and enlightening to compare a REASON book review with one from *Libertarian Review* (such as Bill Havender's review of Tom Sowell's *Race and Economics vis-a-vis* Susan Love Brown's review of same; or, an even more important example, George Smith's review of Tibor's *Human Rights and Human Liberties* as compared with Jack Wheeler's review of same).

Now allow me to lavish a little (deserved) praise on some individual reviewers. John Hospers' review of Solzhenitsyn's *The First Circle* was quite simply breathtaking; I've not read much of Solzhenitsyn, but, thanks to Hospers' masterful review, I definitely intend to read *The First Circle*. George Smith's review of Tibor's *HR & HL* was done in George's usual precise, coherent, and cogent style. I'd like to personally thank Tibor for writing such an important, scholarly, and timely work as *Human Rights and Human Liberties;* it dovetails beautifully with Bob Nozick's equally profound *Anarchy, State, and Utopia.* And what need be said of Bill Marina's "In Search of Reality"? It was a superlative *tour-de-force* (pardon that last word!) of revisionist colonial–revolutionary history, with Rothbard's *Conceived in Liberty* heading an "all-star" list. Bailyn, Jensen, and Knollenberg will all undoubtedly be remembered as among the greatest revisionists of the colonial-revolutionary period (along with the phenomenal Murray himself!).

Mark Phillips
Ft. Worth, TX

BOOK ISSUE: NO

As an advertiser in your magazine, I have always considered your book issue as fluff, as filler, used so the staff could take a vacation. Any book reviews could be taken care of in a small section of any issue. Give the title, author, publisher, cost as a hardback or paperback, and a short paragraph of a sentence or two, explaining the contents. Your best action would be to get the large mail order booksellers like Laissez Faire Books to do the book reviews in the form of ads.

T. E. Caldwell
Corpus Christi, TX

USEFULNESS

By all means, please continue the annual book review issue!! It is a great help to those of us who don't have the time to read everything we would like. The reviews are of almost uniformly excellent quality as well as an excellent choice of books.

Anthony Conte
Revere, MA

DIVERSITY WANTED

I have just finished reading the special November book review issue, which I enjoyed very much. However, I would like to argue for a change in policy. I like diversity. Discussing libertarian ideas using only the format of the book review gets dull even in spite of the high quality and different kinds of reviews in this issue. In addition, you may have more or less good books and perceptive reviewers than you need. I would like to see reviews on an ad-hoc basis. If you have several good reviews put them in. If not leave them out.

What I would really like to see is more books on practical politics. At the recent national convention of the Libertarian Party I saw many books on economics, history, and philosophy, but none on practical politics, including political activity outside party politics. In this vein I thought Poole's review of Wilson's book *Thinking About Crime* was the best review because it has direct and obvious policy implications on the issue of how to reduce crime.

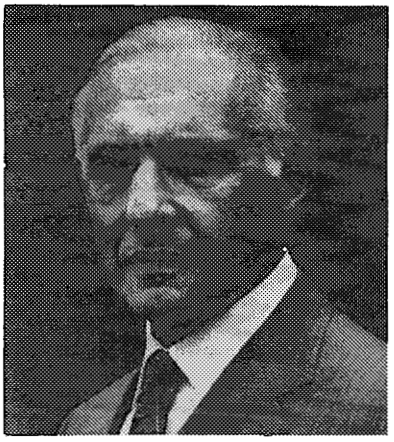
Robert M. Thatcher
Detroit, MI

(continued on page 7)

"I can state categorically that we are heading toward hyperinflation in the U.S."

Warns Dr. Nicholas Deak, Head of the Deak-Perera Group of Banks and survivor of 3 European runaway inflations

Dr. Deak controls a complex of 57 banking and foreign exchange offices throughout North America, Europe, and Asia, including the Foreign Commerce Bank and Perera & Co. Dr. Deak, a Ph.D. in International Finance, lived through three devastating runaway inflations—in Germany, Hungary, and Austria.



Now, in an exclusive interview with the *Silver & Gold Report,* Dr. Deak tells why his personal experience leads him to believe runaway inflation will strike America. Moreover, he gives specific, practical advice about how you can protect your assets. Here are excerpts from the interview.

What is it like to live through runaway inflation?

DEAK: "It is heartbreaking. I remember when members of my family went to the countryside with jewelry and clothing to exchange for eggs, milk, butter, and cheese. The middle classes were wiped out financially and socially. In the end, it didn't even pay for retirees to go and collect their pensions because they had to spend more money on the transportation to get to the pension office than they would receive."

Why do you expect inflation to worsen?

DEAK: "The main cause of inflation is excessive government deficit spending. I cannot see any reversal of government deficit spending because our society has now adjusted itself to a mentality that the weak must be supported by the strong. As deficit spending continues, then inflation must continue and it must accelerate. Since the backing of the dollar has now been completely eliminated, there is no longer any brake on inflation."

What do you see as the outlook for America?

DEAK: "Inflation begins slowly, fluctuates, and only gradually gains momentum. So I do not feel there will be hyperinflation in the immediate future—tomorrow, a month or even a year from now. But it's coming. I can state categorically that we are heading toward hyperinflation in the U.S."

Moreover, in this interview, Dr. Deak tells which investment was most widely used to shelter assets during the past runaway inflations—and he tells why he believes it is NOT suitable for the coming one.

In addition, he compares silver and gold for their short and long term investment potentials, and he makes specific price projections for each for the next two years. Finally, he recommends 3 specific investments for immediate purchase. (His choices may surprise you).

How to get a complimentary copy of this interview.

The *Silver & Gold Report* is an independent, twice-monthly newsletter designed to provide comprehensive, in-depth coverage of silver and gold. A copy of the interview with Dr. Deak is yours as a Bonus when you take a two-month, 4-issue Introductory Subscription. Simply clip and mail the coupon with your $10 check or money order.

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R-6

EDITORIAL

HERE COMES THE CARTER ERA

About the time you receive this issue, James Earl Carter will be being sworn in as President of the United States. With liberal Democrats in control of both the executive and legislative branches of government, the next four years hold little promise for lovers of liberty. Noted economist Dr. Hans Sennholz looks for a period of "radical interventionism," now that the out-and-out Keynesians and social reformers once again have access to the reins of power.

Indeed, in short order we are likely to be faced with a renewed burst of inflation, wage and price controls, and national health insurance. Carter's campaign commitment to get the economy moving is virtually certain to lead to much larger budget deficits and (Arthur Burns notwithstanding) to massive increases in the money supply. When the resulting inflation is not curbed by pleas for "restraint" to labor and business leaders, can anyone doubt that wage and price controls will be trotted out, despite their dismal flop in 1971-74? (During the 32 months that controls were in effect, consumer prices rose faster than in any comparable period from 1950 through 1973.) All during his campaign Carter advocated standby authority for wage/price controls, as did Larry Klein, his principal economic advisor. His post-election attempt to back off from that position is as hollow as Richard Nixon's early-1971 pledge not to use such authority, even if granted by Congress.

And the final nail in the coffin of our once-free and independent medical profession may soon be driven, thanks to early passage of national health insurance. Despite recent Congressional outrage over Medicaid, the "greatest rip-off in history" according to official testimony, the Democratic euphoria now taking hold in Washington will likely succeed in pushing through an even greater version of this rip-off, in the form of NHI.

What other delights might we look forward to? Massive new grants to decaying, corrupt, crime-ridden cities; outlawing of all handguns; new anti-trust assaults on successful companies, based on economic mythology; more aggressive enforcement of "affirmative action" coercion . . . you name it.

Realistically, though, is the new administration really that much worse than the one it replaces? To be sure, we no longer have free-market advocates Alan Greenspan and Paul MacAvoy on the Council of Economic Advisors, or William Simon running the Treasury Department, or Lewis Engman and Thomas Sowell promoting competition at the FTC, or administration staffers documenting the case against the CAB and the ICC. But somehow the same Nixon/Ford administration that contained these men also produced the largest budget deficits in American history, imposed wage/price controls for nearly three years, introduced the nightmarish Senate Bill 1, advocated national health insurance, and engineered the incredible FEO/FEA boondoggle that produced the long lines at gas stations three winters ago.

These and countless other horrors resulted from the lack of any consistent philosophy in the Republican administration. Which reflects, in turn, the intellectual bankruptcy of the Republican Party and much of the conservative movement in America. This bankruptcy also helps to explain why, as public opinion polls reveal, well over half of the population can consider themselves "conservative" (probably meaning "not liberal"), while simultaneously electing an overwhelmingly Democratic Congress. Vast numbers of people do not feel comfortable with liberal Democratic orthodoxy, but cannot find a home in conservative/Republican circles.

Here, of course, is where libertarianism offers such an attractive alternative. Unfortunately, despite an impressive effort and large expenditures, the fledgling Libertarian Party has yet to make a significant impact on the American political scene. The media's near-blackout continues, and (assuming the LP can sustain its present momentum) it will be at least two and probably four years before it has another chance to garner significant nationwide publicity.

Yet somehow the libertarian alternative must be presented. The horrors of the impending Carter regime and the unpalatability of the conservative/Republican alternative simply cry out for presentation of a principled, consistent political philosophy that challenges collectivism at its roots. We libertarians have that philosophy, if only we can get it across. With political campaigns temporarily in abeyance, now is the time to concentrate on developing and strengthening our means of education and communication.

The keystone of our communications efforts should be a high-quality national magazine. Only a magazine can obtain the regular exposure needed to earn a niche for libertarianism in the intellectual/literary/media community. Only a magazine can develop and stimulate libertarian analysis of current problems and formulation of workable solutions, on a regular basis. Only a magazine can provide the regular intellectual stimulation needed to keep the movement a growing, vital force.

Over the past six months we have been working to upgrade REASON to be that needed magazine. We have redesigned the format, improved the artwork, made articles more readable, and added new features. Still, there is a long way to go. After a drop in paid circulation during the past year, REASON has now exceeded the 15,000 paid circulation mark. To be self-sustaining, though, we need to reach 25,000 this year, and we need a paid staff, top-quality writers, aggressive advertising sales, and newsstand exposure. All of which takes money. We are presently seeking a number of people who will support our expansion efforts with a $1000 donation as a Reason Patron. Those who lend such support can select the area of improvement in which their gift will be used and will be listed on the masthead.

The past eight years lulled many people into a false sense of security, based on the idea that our "friends" were in office. That illusion is no longer possible. The reality of "radical interventionism" will soon be upon us. The United States could easily go the way of England—unless a truly principled opposition philosophy captures the imagination of thinkers and opinion-makers. REASON can provide the spark to fire the imaginations of young thinkers—if it grows and prospers. Your support—whether by gift subscriptions, small donations, or as a Reason Patron—could be crucial in the era ahead.

ROBERT POOLE, JR.

LETTERS

(continued from page 4)

AID TO SOVIETS

In his critique of Antony Sutton's *National Suicide* [November], reviewer James J. Martin pooh-poohs Sutton's claim that American "capitalists" have been exporting the multitude of technical and consumer goods that have kept the Soviet machine afloat for 50 years. After correctly pointing out that the moribund Russian economy produces nothing of value to Western consumers, Martin asks how the Soviets have managed to *pay* for the mountain of American goods they have received. In gold? he asks, tongue-in-cheek. Yes! Their recent wheat purchases have been paid for by *massive* sales of their slave-produced gold.

Martin wonders further, again tongue-in-cheek, whether the final bill is being "passed off silently and expertly to the American taxpayer via schemes that are not explained to us ordinary citizens?" As an astute observer of the American corporate state Martin must know that the answer is another *yes:* the Russians have been financing their purchases of American goods for years with no-down, low interest, long-term loans from the Export-Import Bank. And we all know where the Eximbank gets its money, don't we?

Garvan F. Kuskey
Santa Barbara, CA

REGARDING STODDARD'S "TEM-"TEMPLE"

While I applaud William H. Stoddard's attempt to proffer a canape tray of American poetry for libertarian palates [November], I was stunned by some of his specific exclusions. To see him dismiss Whitman in a single sentence, ditch Auden with the one-word brand of "Marxist," and then truss together Dickinson and Frost and toss them by the wayside for being "either wholly apolitical or uninterested in ideological themes" was a trauma for me, especially since his own strictures allowed for the selection of verse merely "congenial to libertarian sentiments in basic emotional themes," not just hard-liners.

Now if Stoddard prefers the philosophic clipper-clop of Emerson and Thoreau, that's fine. But I will match, despite all of his bombast and bathos, Walt ("Resist much, obey little") Whitman straw for libertarian straw with these two-verse scions of liberty, and we'll see who has the higher haystack come harvest time. Whitman is certainly no more "ambiguous" than they in trumpeting self-sovereignty, and displays the uncommon ability to embrace *both* man and the technology that sustains his survival. And as for Emily Dickinson: if she's written one poem for the soul "desirous of existing as a separate individual, resistant to social programming," she's written dozens.

Fortunately, Stoddard's 20th Century selections trend upward slightly. e. e. cummings *is,* when decipherable, excruciatingly effective in pillorying the anti-individualist mentality (as well as being a poet of senuous power). However, I fail to see where he surpasses the banished Auden's "The Unknown Citizen" in distilling the dry indifference of social planners to the real desires of the "average citizen" they administrate over:

> Was he free? Was he happy? The
> question is absurd:
> Had anything been wrong, we
> should certainly have heard.

or his shattering understatement of the disparity between what the utopiasts envision, and the collective inhumanity they too often deliver, "The Shield of Achilles." If this be the music of a Marxist mind, play on.

As for Robinson Jeffers: while he *is* a towering, often overpowering litanist of cosmic despair, a little of his deterministic hemlock goes a long way, Socrates, and it is an acquired taste.

Contrast Robert Frost's estimate of humanity in, say, "Riders," or his assay of man's potential for benevolent purposefulness in "The Tuft of Flowers," "On a Tree Fallen Across the Road," "A Considerable Speck," and "The Aim Was Song." For some thoughts about private property, see "Mending Wall" or "Trespass." For cogitations on volition and conformity, scan "The Road Not Taken" and "Neither Out Far Nor In Deep." Is there a more delightful assertion of the right to personal preference than Frost's "Gathering Leaves?" Or a more wryly humorous portrait of unperturbed self-reliance than "The Figure In The Doorway?" Now Frost admittedly opens a mixed bag of poetry. But if he's not to be counted as at least a sympathetic neighbor by the libertarian community, then Jeffers is just a cranky recluse up the road, and Gary Snyder and Joni Mitchell no more than innocuous vagrants.

I'm glad Mr. Stoddard views poetry as such a smorgasbord. Too bad that he was so hasty in striking some treats off the libertarian menu.

John Sherman
San Francisco, CA

MACHAN ON SMITH ON MACHAN

Let me answer some of the points George Smith raises in his review of my book, *Human Rights and Human Liberties* [November]. On Aquinas, I did not aim for a fully developed exegesis but an indication of why subsequent critics of natural law doctrine could exploit Aquinas' theism. However much Thomas wanted to be a naturalist, his allowance of God's entry invites placing nature in a subordinate position.

What I did not make clear in my discussion of moral standards is that the specifically human goal that we need in order to identify a standard of moral truth must be a human goal *in life.* I do say that one's happiness is one's goal *in life,* but admittedly I did not reiterate the point often enough. Thus, for better or worse (as far as this discussion can go), I am closer here to Rand (as I believe is Mack) than Mr. Smith acknowledges. But many prob-

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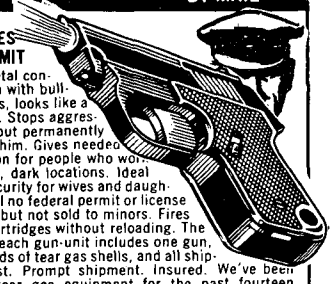
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REASON'S COMMENT OF THE MONTH

The letter below, by Joe Cobb, appeared in the November 12, 1976 issue of the Chicago, IL *Reader:*

THE LIBERTARIAN CONNECTION

The letter published November 5, which ended with the lucid philosophical statement of principle, "It is true that some people don't know what's good for them. That the Libertarian position confuses ignorance with liberty is reason enough to reject them at the polls," warmed my heart. If all of the anti-Libertarians in this world were as direct as that writer, the Libertarian Party would begin to win a few elections.

The reason why Libertarians believe it is necessary at this point in history to set up a political party and campaign for political office is precisely because all other parties have begun to accept the conventional wisdom that "some people don't know what is good for them." Unfortunately, very few candidates for public office are so bold as to say it directly.

Only a recognized opposition party for public office can put these issues into the context of "relevant debate." These are essentially moral issues, not practical proposals. What about the right of an individual to live in a manner which he or she may choose, regardless of whether supposedly wiser or more powerful people disagree?

Anything can be labeled as "ignorance" depending upon who is in control. One of the Libertarian Party's heroes is Galileo, who was forced to recant in public on his knees the heretical theory that the earth moves around the sun. Today's experts "know" that drug use is mere "ignorance" on the part of addicts—so they believe it is justified to persecute them by police action. The moral, Libertarian position says that the use of force to achieve a social or political goal is wrong—regardless of how good and humanitarian that goal seems.

Authoritarian solutions to problems are very efficient, sometimes, but I don't want to live in that sort of society. Those of us who work actively in the Libertarian Party believe that most people agree with us in principle, and will vote their conscience one of these days if the mystique of the Big Two parties can be shaken. Watergate seems to have destined the Republicans for extinction. It is only a matter of time until the Democrats are similarly exposed.

Joe Cobb
Libertarian Party of Illinois

REASON subscribers are encouraged to write letters to the editor of their favorite newspaper, magazine, or journal, and to submit replies to TV and radio editorials, presenting libertarian views on topics of current interest. Each month the editors of REASON select the most notable published letter or broadcasted reply for republication in this space, and honor the writer by a six-month extension of his or her REASON subscription. Send copies of your published letters or broadcasted replies to Reason Comment of the Month, Box 40105, Santa Barbara, CA 93103.

lems remain, e.g., the distinction between values as such and moral values. The former could not depend on choice, since the values of biological existence do not all emerge in consequence of the choice to live, while in human life the choice not to live is a clear alternative, thus making the choice to live the necessary (but not sufficient) condition of moral values. What Mr. Smith sees as puzzling is my refusal to consider my Aristotelian approach significantly different from Rand's, but I doubt the difference quite seriously and would (with Mack, I believe) hold that an elaboration has taken place. The notion of "natural universal goal" need not mean some *intrinsic* universal value. There is, as far as I can tell, no conflict between "arguing epistemologically" and advancing the idea that once the choice to live has been made, one's happiness is one's natural (as distinct from conventional, arbitrary, but not identical to intrinsically good) purpose or end.

The way I differ from Rothbard is on the issue of jurisdictional homogeniety. From Rothbardiana one gets the impression that a citizen can simply up and change his political representation. This is the point of all that competing defense agencies talk—on the order of competing bakeries, restaurants, etc. But even in these last there is a period of time during which one is locked into the relationship—in a restaurant between the order and payment, etc. Well, in one's relationship to those one has authorized to administer justice in accordance with due process, one just cannot (morally) up and leave at any time, nor can one contract with just anyone even after the original relationship is off. My book explains this and I am surprised Mr. Smith didn't catch it.

Finally, Mr. Kelly's point is quite right: coercion is not the kind of good one can sell like peanuts (note, Mr. Carter!). Since my selling you coercion involves another whose involvement may be involuntary, the proper conditions of delivering the service have to be kept in mind all the time (via due process of law). If, however, you are willing to buy my badly baked bread, ill-grown tomatoes, etc., no one else is injured (i.e., no one else's rights are violated). So there is something special in selling muscle versus selling tomatoes. (It simply won't do to say: if the service is delivered in violation of due process, the servicefolk will go out of business. The goal is *never* to commit an injustice in the process of administering justice!) Which brings me to my last item, namely this thing about selling justice. There ain't no such thing as justice for sale. Since justice is one of the human virtues that is necessary for living the good life, it has no market value—market values presuppose justice, since a free market, in which market values are objectively possible, requires that justice be integral to it. To administer justice does, of course, involve a service, and this can be paid for. So with related services and goods. But, as Gilbert Ryle would probably say, the claim "They sell justice" is a category mistake.

To end right, let me say that Mr. Smith's review did what an author should welcome: it prompted me to think through many of my ideas. And this letter is meager evidence of how much thinking Mr. Smith's points deserve. I can only promise that the discussion of these issues continues, even if only with myself. Thanks.

Tibor R. Machan
Fredonia, NY

CORRECTION, PLEASE

The purpose of this letter is to take

mild issue with George S. Swan in his article, "Discord in Utopia" [October]. On page 36, he states, "At least one libertarian abortionist, Canadian editor Marshall Bruce Evoy, urges that women having abortions elect to have fetuses anesthetized before dismemberment." Though I did so urge, I must take exception to Mr. Swan's ill-advised use of language. I am not an abortionist, either within the terms of state licenses or as a practitioner on the black (or free) market. I assume he meant "pro-abortionist," though even that term is not all-encompassing enough to accurately define my position. Correctly, and as succinctly as I can state it, I am "pro the right of *any* individual (male or female) to own, control, and have the use of his or her own body and life, i.e. property." The fact that the fetus is part of the female body is merely a sub-division of the main definition to which I adhere. I would appreciate your making this clear to your readers, since Mr. Swan's depictment of me is erroneous. One more point: I am pro freedom of choice to have or not have an abortion; I am not necessarily pro abortion, a subtle distinction.

Let me also take this opportunity of telling you how much pleasure REASON continues to give me. It is a great comfort to know that such a publication exists in our statist-oriented world, and that it continues to come out each and every month—on time—and with very high calibre articles gracing its pages. Never mind the criticism; keep publishing, and don't let the bastards get you down.

Marshall Bruce Evoy
Editor-in-Chief, *Option*
Toronto, Ontario

LP PLATFORM

Now that the elections are behind us and the chances of adding to intra-fratricidal strife are diminished, I would like to voice some opinions about the 1976 Libertarian Party Platform.

It would be beneficial if most major platform planks were written in such a way as to be able to "stand alone," not only because they could then be excerpted for use as position papers but because they could then further clarify the libertarian principle involved. This does not necessarily mean that planks would run to great lengths (often perhaps one or two additional sentences would be sufficient), but clarity and relevance ought to be at least somewhat more important than

(continued on page 47)

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	Dec.1	Dec. 2	Dec. 3	Dec. 4	Dec. 5
Liberty Coin Service	2950	2965	2920	2910	2905
Bramble's Coins	3150	3150	3125	n/a	3100
Numisco	2976	3002	2945	2966	2930
International Precious Metals Corp	3222	3193	3167	3167	3130

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Liberty Coin Service	2820	2849	2815	2830	2830
Bramble's Coins	2890	2920	2930	n/a	2880
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QUICKIES

Gloria Steinem, Call Your Office! Mr. Don B. Kates, writing in the August/September issue of *The Civil Liberties Review,* informs us that "[Handgun] permits are automatically denied in St. Louis to wives who don't have their husband's permission."

* * *

Ten days after the election, the *Washington Post* wrote: "Political veterans in both parties are in general agreement" that 1) Carter could not have gotten the nomination without the $3.4 million in Federal subsidies that totaled about 25 percent of his primary campaign spending, and 2) the spending ceiling in the general election "almost certainly, in the light of the very close result produced a Democratic victory." But no mention of Carter's endorsement by Ugandan President Idi Amin Dada, which "The Cook with All the Firewood" claims decided the election by assuring Carter of the black vote.

* * *

The Indian government's sterilization program proceeds apace, but officials swear that it's all strictly voluntary—"at least for the time being." There are some financial inducements; some Indian beggars claim to have been sterilized for cash up to 15 times. Another man was told his children couldn't go to (public) school unless he submitted to a vasectomy. Most of New Delhi's snake charmers have left the city, reportedly because they were afraid of being forcibly sterilized on the orders of bureaucrats trying to meet their quota of operations. And in the town of Barsi, in western India, a 60 year old blacksmith by the name of Rambhan Sakharan Pawar was among several men dragged off the street and forcibly vasectomized. A few days later he died of complications. But one part of the program is an excellent idea—as far as it goes. New Delhi's three million civil servants must all be sterilized by October 1977 if they have three or more children. Clearly such pests must not be allowed to reproduce, but it's the civil servants's *parents* who should be sterilized. Retroactively.

* * *

Anti-capitalist ideologues strike again, this time at the nation's blood banks. The American Association of Blood Banks has a system; those who receive transfusions must donate the same amount of blood later, or pay from $20 to $30 per unit of blood. Other people, usually friends or relatives, can give blood in the recipient's place; they can even build up credit against their own future use. A nice, free-market arrangement that handled some eight million units of blood a year, until the American Red Cross pulled out of the system. The Red Cross, whose chapters collected about 3.4 million units a year for the AABB, evidently deems the system too crass and commercial and proposes another system, in which blood is "free," and "supplied by the community," as they put it. The blood bank director at Memorial Hospital in Long Beach, California, calls it a "good idea" but says it won't work. At Memorial, 50 percent of the blood is donated for replacement of some individual's account, another 49 percent for the donor's own future use, and only 1 percent by those who want to meet a "community need." So the end of the credit system means the end of the motivation that supplied 99 percent of the blood—a real "good idea"! But the Red Cross is apparently above such mundane considerations. One official says, "It's wrong to buy and sell blood like cabbages." Maybe. Of course, there never seems to be any shortage of cabbages.

* * *

Great moments in Political Philosophy, No. 2: The *Los Angeles Times* editorializing in support of exiled East German poet Wolf Biermann "who, like Russia's exiled Alexander Solzhenitsyn, considers himself a loyal Communist."

* * *

When South Vietnam collapsed in the spring of 1975, the North Vietnamese captured an estimated $5 billion worth of military hardware; enough, the Pentagon reports, to field "an entire army, navy and air force." The list includes 550 tanks, 42,000 trucks, more than 1300 artillery pieces, 15,000 machine guns, 1.6 *million* rifles, and an estimated 130,000 *tons* of ammunition. There are no reports of what Hanoi intends to do with its new found arsenal which makes it "one of the foremost military powers in Asia" (guess they weren't before) but it is comforting to note that they also captured 466 American-supplied helicopters. The *Washington Post* quotes our Gallant Ally Nguyen van Thieu as complaining that getting the helicopters was the worst thing that ever happened to his infantry for they soon became "reluctant to walk on long patrols."

* * *

Last year Washington, D.C. was the first major American city to record more abortions than live births. Eighty-five percent of the abortions were paid for by the government, chiefly through Medicaid, but that figure may decline dramatically if the Supreme Court upholds the congressional ban on Medicaid abortions. Some D.C. officials are concerned that an end to tax-supported abortions will boost the number of children born out of wedlock. That may take some doing; last year, Washington was also the first major American city where the majority of all births were illegitimate.

* * *

The Way We Live Now: a Washington, D.C. woman won a $1.3 million damage suit against the man who gave her gonorrhea. The Pussycat Theatre of Miami was fined $3000 for showing two skin flicks without telling their patrons that the juiciest bits had been cut out. New York City's assistant police chief wants to cut the force by 10 percent "by weeding out psychos, criminals, and the unfit." The IRS has ruled *all* plastic surgery tax-deductible; the *Berkeley Barb* predicts "an upsurge in sex change operations as a result." And the University of California, San Diego, is studying the effects of exercise on the heart by running pigs on a treadmill. A pig in good condition can run a mile in under eight minutes.

* * *

Bill Birmingham

LUCIFER'S LEXICON
by L. A. Rollins

agnostic, n. A Godfearing atheist.

civil libertarian, n. One who defends our precious freedom to complain about our slavery.

criminal regime, n. Regime.

flying saucers, n.pl. Chariots of the frauds.

TRENDS

ELECTION GAINS

Despite the defeats of measures to limit taxes in several states (see Trends, January), the November elections produced several modest victories for the cause of liberty and free enterprise. In Massachusetts the voters overwhelmingly rejected a ballot measure which would have banned private ownership of handguns. Despite the backing of the *Boston Globe*, some law enforcement officials, and various establishment figures, most Bay Staters remained true to their individualist, revolutionary heritage and gave the measure the drubbing it deserved.

In California an attempt to institutionalize the violation of private property rights was soundly defeated. Proposition 14 would have put into the state constitution the recently-legislated farm labor law which, among other provisions, grants union organizers access to farmers' property without the latters' consent. Opponents of the measure conducted a principled campaign, stressing the importance of protecting private property, and won hands-down.

The voters of Arizona, Colorado, Montana, Ohio, Oregon, and Washington all followed the lead of Californians (last June) in rejecting measures that would have forced a halt to development of nuclear power plants by imposing requirements that the safety of such plants be attested to by two-thirds of the state legislature. Questions of safety and responsibility will remain the province of the courts, where they belong, rather than becoming political issues.

And New Jersey voters finally decided to permit casino gambling, limited for the present to Atlantic City. Two years before, a proposal to legalize casinos statewide had been defeated. This time around, the prospect of increased tourism due to this new dose of free enterprise seemed to impress voters as a way out for the fading resort city.

SOURCE:

- "Bets, Bottles, and Bullets," *Time,* Nov. 15, 1976, p. 57.

MORE PRICING FREEDOM

New chinks in the crumbling wall of restrictions on price competition have been made by the courts. In California the Alcoholic Beverage Control (ABC) Appeals Board has ruled that the state law fixing minimum prices for beer, wine, and liquor, is unconstitutional. The 37-year-old law was found to be an illegal restraint of trade, amounting to "legalized price fixing," in a case brought by Bob's Liquors of San Francisco. The store's license had been suspended for 10 days after it had been caught selling liquor below the mandated minimum prices. The overturned restrictions have been costing Californians an estimated $81 million per year. Although the ABC office is expected to appeal the ruling, industry sources expect it to be upheld by the courts, clearing the way for free-market price competition.

Milk price controls also appear to be on their way out in California. The only question seems to be whether the courts, the legislature, or the Department of Food and Agriculture will be the body delivering the coup de grace. Suspension of retail milk price controls is considered to be a foregone conclusion by the Brown administration, to take effect early this year.

On the east coast, two steps have been taken to increase the freedom to advertise prices—a key aspect of price competition. A three-judge Federal court in Virginia ruled in November that it is unconstitutional for states to prohibit publication of a physicians directory that lists services and fees. The court based its ruling in part on the 1976 Supreme Court decision overturning state bans on drug price advertising on First Amendment grounds. If the present ruling is upheld on appeal to the Supreme Court, it will have nationwide impact. Another indication of the trend toward advertising by professionals is a recent recommendation of the District of Columbia Bar Association. That body has proposed that lawyers be allowed to advertise their fees and services on radio and TV, on billboards, and in newspapers. If accepted by the DC Court of Appeals, the rules would give Washington lawyers more freedom to advertise than anywhere else in the United States.

SOURCES:

- "Liquor Price Fixing Held Illegal but Faces Court Test," Carl Cannon, *Los Angeles Times,* Dec. 3, 1976.
- "What Price Milk Decontrol? Only Time Will Tell," William Trombley, *Ibid.,* Nov. 15, 1976.
- "Court Won't Bar Doctors' Advertising," AP (Washington), Nov. 11, 1976.
- "Ads by Lawyers Proposed by Bar in Washington," *Los Angeles Times,* Nov. 11, 1976.

J. M. KEYNES, R.I.P.

The idea that government fiscal and monetary policies can significantly alter such things as GNP and employment has been an article of faith for most of the past several decades. Virtually all politicians consider themselves Keynesians and accept both the possibility and the desirability of the government's intervening to shape the economy. The principal dissenters to this belief system have been the monetarists, led by Milton Friedman, and the Austrians, such as Ludwig von Mises and F. A. Hayek. The monetarists have argued that policy-makers cannot forecast accurately enough to time their policy moves properly. The Austrians, however, have argued that the attempt is fundamentally not possible, since individuals and institutions will react in ways that defeat the aims of the policymakers.

This Austrian insight has suddenly become the hottest new theoretical development in economics, thanks to Robert E. Lucas, Jr. of the University of Chicago and Neil Wallace and Thomas J. Sargent of the University of Minnesota. The three have developed the theory of "rational expectations," based on an analysis of how individuals form their expectations about the future and how these affect their responses to government policy changes. In brief, "rational expectations" holds that (1) any policy move that is widely expected will have no impact at the time it occurs, having been discounted in advance by the public, and therefore, (2) only policy moves that people do not expect will cause changes in current behavior.

These propositions imply that attempts at "countercyclical" policy—whether fiscal or monetary—are doomed to failure. On the fiscal side, for example, the on-again, off-again investment tax credit may work the first time, but soon becomes ineffective. Businessmen come to expect that an economic slowdown will lead to a tax cut, so they postpone investment in order to take advantage of it. This increases the severity of the economic

decline. When the cut finally comes, they all rush to invest. Thus, the policy accelerates both the downturn and the upturn, instead of acting as a stabilizing force. Monetary policy similarly backfires. A countercyclical monetary response by the Federal Reserve Board, in which money supply is increased in response to an economic decline, is anticipated by the public and gets factored into their expectations of inflation. Thus, for monetary policy to work, it must come as a surprise and, says Wallace, "that's not a policy, that's throwing dice." But random policy changes produce uncertainty, thereby further reducing economic activity.

Although the rational expectations proponents are still building the empirical support for their position, they are convinced enough of its validity to be willing to make policy recommendations. Given the impotence of fiscal and monetary policy, the government's best course is to balance the budget and keep money growth stable. That would certainly be an improvement over the Keynesian circus now playing in Washington.

SOURCE:
- "How Expectations Defeat Economic Policy," *Business Week,* Nov. 8, 1976, p. 74.

FAKED STUDIES EXPOSED

Doctored research efforts, intended to justify questionable Federal programs, have recently been exposed in two separate areas, civil rights and pollution control.

The U.S. Commission on Civil Rights spent $2.3 million on a study of public school desegregation. The report concluded glowingly that desegregation "works," i.e. 82 percent of the nation's school districts have been desegregated without major disruption (meaning 18 percent have had such disruption?) and "only" 10 percent have suffered reduced quality of education. But commission staffers have now revealed that they were ordered beforehand to rig the evidence in favor of success. At least one, Duane Lindstrom, has resigned in protest. Among the evidence he has made public is a commission memo instructing regional offices that "Your monographs will show that desegregation has been successful at the local level, for the reasons the commission reports, or that it can and will be more successful if local leadership responds as the commission recommends."

More serious in its cost impact is the faking of research findings in the EPA's $22 million Community Health Environmental Surveillance System (CHESS) study. First uncovered by *Los Angeles Times* reporters a year ago, the scandal has now been confirmed by a congressional investigating committee, which has termed the research program "useless for determining what precise levels of specific pollutants represent a health hazard." The investigators found that EPA researchers violated their own established procedures for testing the quality of pollutant measurement, used questionable statistical procedures, and made many serious errors in air monitoring, leaving unsupported many of their conclusions relating health effects to pollution levels. Yet these conclusions have been used as a justification for imposing multibillion dollar controls on power plant emissions. The reason for this sorry state of affairs is that EPA officials, anxious to have scientific justifications for their regulatory actions, exerted severe pressures on the research teams to come up with suitable findings. As a result, "the validity of findings was often overriden in the rush to get out reports."

Both situations illustrate once again the inherent dangers in bureaucratic solutions to social problems.

SOURCES:
- "Rosy Reporting," *Time,* Nov. 29, 1976, p. 51.
- "U.S. Study for Setting Air Standards Called Useless," W. B. Rood, *Los Angeles Times,* Nov. 25, 1976.

FREE EXPRESSION VICTORY

In a landmark ruling in November the U.S. District Court in Los Angeles found that the FCC had illegally and unconstitutionally pressured TV network officials to adopt the "family hour" policy of restricting the content of programs shown in the early evening. FCC chairman Richard Wiley had "threatened the industry with regulatory action if it did not adopt the essence of his scheduling proposals," the court found. "The Commission's pressure in this case was persistent, pronounced, and unmistakable." Testimony during the lengthy trial showed that Wiley had suggested that compliance might affect license renewals; it was also pointed out that the FCC had before it numerous other issues that could have had major economic impact on the three networks.

In his 223-page decision, Judge Warren J. Ferguson made clear that "the desirability or undesirability of the family viewing policy is not the issue. Rather, the question is who should have the right to decide what shall and shall not be broadcast and how and on what basis should these decisions be made." Accordingly, he did not order the present family hour ended, making it clear that it is up to the stations to continue or discontinue it, "independent of concern for government reaction."

Ferguson's decision is a small but important step in the fight to put broadcasting on the same basis as the print media, firmly shielded by the First Amendment from the heavy hand of government.

SOURCE:
- "TV's 'Family Hour' Ruled Unconstitutional by Court," *Los Angeles Times,* Nov. 5, 1976.

PUBLIC SCHOOLS LOSE TWO

The State's near-monopoly on education has suffered two defeats in recent months, one at the ballot box and one in the courtroom. In Ohio the state Supreme Court overturned a lower court ruling against a private, religious school that is not state chartered. Lower courts had ruled that children attending the school were truant, because the school did not meet the state's detailed requirements for private schools. The Supreme Court, however, found that "the compendium of [160] minimum standards promulgated by the State Board of Education, taken as a whole, unduly burdens the free exercise of religion." The case for the private school was argued by William H. Ball, the attorney who had previously defended the rights of the Amish to operate their own schools. Ball termed the victory "a strong recognition of parental rights, and . . . of the right to operate a private school without being drowned in governmental control." Ohio thus joins New Mexico and Vermont as states where private schools may be operated legally without conforming to state-imposed standards.

The other setback for State schools occurred in Oregon. Under Oregon law voters must approve the budget of each school district every year. In recent years, due to voter resistance to ever-increasing taxes, such approval has been harder and harder to obtain. When the schools opened last fall, 37 of the 334 districts had not yet received voter approval. Special elections in September left seven districts still unable to function; of these, four finally received approval in the November election, but three others were turned down once more. One of these, the Eagle Point district, shut down in October and is remaining closed through at least January—the earliest a new election can be called. As the *Los Angeles Times* put it, what is happen-

ing in Oregon "is a reflection of the nation's discontent with public education–what it costs and what it teaches, or doesn't teach."

SOURCES:
- "Ohio Supreme Court Favors Christian School 6-0," *Christian School Comment,* Vol. 7, No. 2, Oct. 1976.
- "Oregon Town's Residents Say 'No' to Schools," *Los Angeles Times,* Nov. 13, 1976.

DRUG DECRIMINALIZATION: TWO MORE STEPS

Getting government to end its costly and ineffective prohibition of private drug use is a long and difficult struggle. Two milestones in this struggle have been achieved in recent months.

In Washington, D.C., a teacher has been given the legal right to use marijuana to treat his serious case of glaucoma, after doctors testified that other treatments had proved ineffective and that without the drug he would go blind. The D.C. Superior Court ruled that the "defense of necessity" applies to Robert C. Randall, in that the harm he seeks to avoid is serious enough to outweigh his "offense." And the National Institute of Drug Abuse is now providing Randall's marijuana from its Mississippi plantation–in effect, giving him a legal prescription. An estimated one million other Americans suffer from glaucoma, an incurable eye disease that is one of the leading causes of blindness.

In another development, the National League of Cities came very close to endorsing complete decriminalization of all drugs, including heroin, at its 1976 Congress of Cities of Denver. The proposal was strongly endorsed by the League's committees on policy and resolutions. Advocates such as Mayor Richard Hatcher of Gary, Indiana, called the huge amount of drug-related crime and deaths "an insufferable burden on urban economies," and urged decriminalization as a "giant step" to remove the financial incentives from the drug trade. If approved by the 3000 delegates, the proposal would have become official League policy, to be lobbied for in Congress. But when it came to a vote, decriminalization was narrowly defeated, as being "far too broad and far too sweeping." Instead, the delegates endorsed, without debate, experiments in legal heroin maintenance, in order to learn more about the possible impact of decriminalization. Although defeated, the fact that decriminalization was seriously considered and nearly endorsed probably signals the beginning of the end of drug prohibition in America.

SOURCES:
- "Pot Necessary, Judge Says of Glaucoma Victim," AP (Washington), Nov. 25, 1976.
- "Key League of Cities Panels OK Drug Decriminalization," AP (Denver), Dec. 1, 1976.
- "League of Cities Won't Back Drug Decriminalization," *Ibid.,* Dec. 2, 1976.

MILESTONES

- *IRS Exposed.* The General Accounting Office has found that the IRS in 1973 and 1974 ignored its own audit rules. Instead of directing its audit emphasis against groups with low records of "compliance" (i.e. paying taxes on time, and honestly), the agency went all-out against middle-income individuals and medium-income firms, the groups with the highest overall compliance rates. During the two years studied by GAO, the IRS exceeded its audit quotas by 20-25 percent for these two groups, while failing to meet its quotas for other groups. The failures were traced to the agency's attempt to justify a request to Congress for more auditors, the GAO found. (Source: *Washington Post,* Nov. 25, 1976.)

Nathaniel Branden asks: Has the "human potential" movement forgotten reality?

A penetrating critique of the "human potential" movement in contemporary psychology and psychotherapy.

Nathaniel Branden argues that this movement's exclusive preoccupation with man's inner life creates the danger of failing to recognize the existence of an outside world. His talk, delivered at the Western Regional Conference of the Association of Humanistic Psychology, is appropriately titled **Ladies and Gentlemen: There's a World Out There (A Challenge to the Human Potential Movement).**

Those who explore man's mind, contends Dr. Branden, often fall prey to "a kind of passionate and reckless disregard for reason, reality, objectivity and the outside world." He carefully reminds his audience that reason is not man's enemy—that, in fact, cognition is as natural a human function as emotion. And he puts equal emphasis on the importance of recognizing the objectivity of reality.

Dr. Branden's view of the Human Potential Movement is fundamentally positive: he regards it as psychology's affirmation of each individual's right to happiness. But he warns that "galloping subjectivism" is invading the movement, and that no good can result from ignoring or denying reason and reality.

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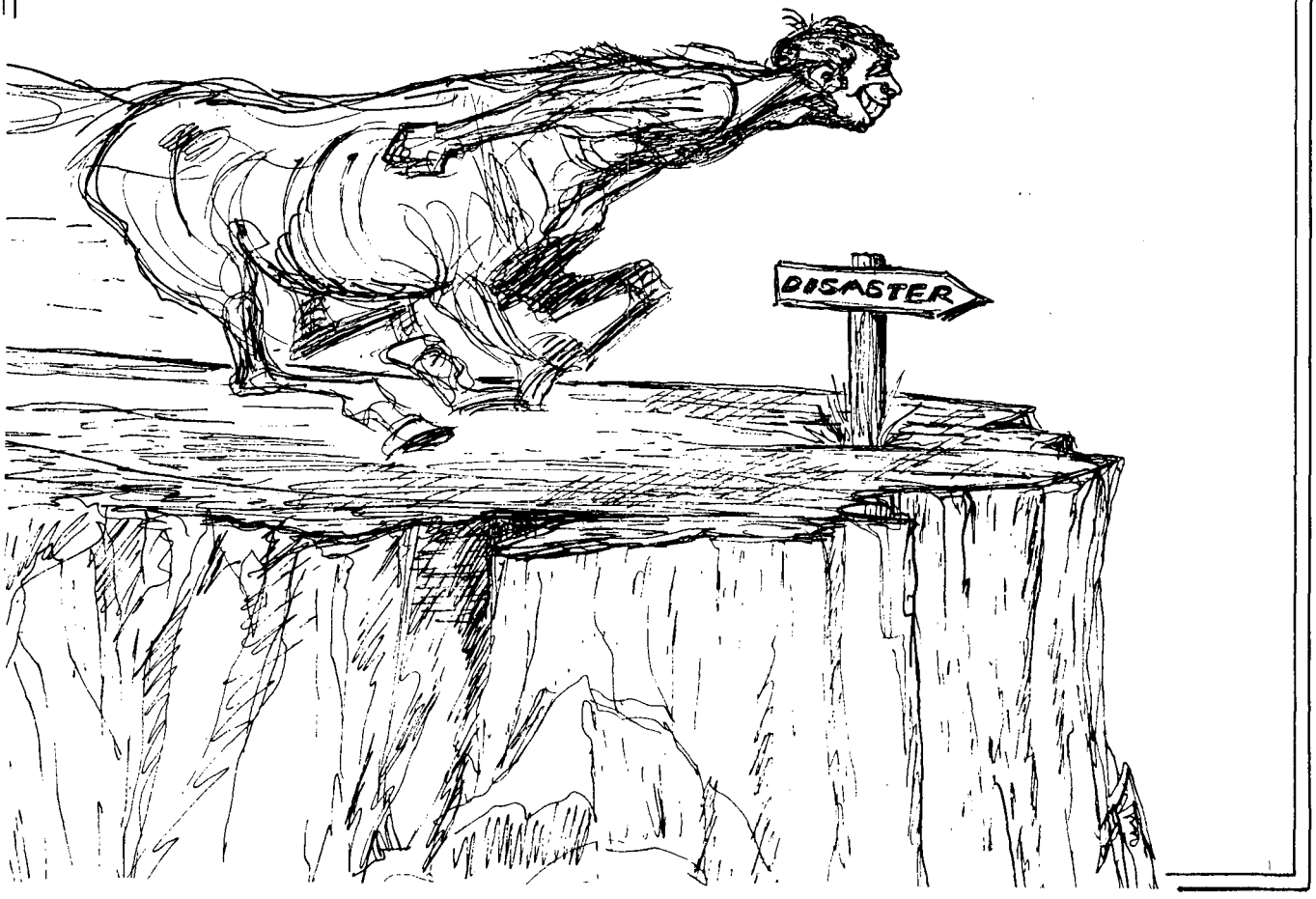
Why Carter's Game Plan Won't Work

Yale Brozen



Lord Tweedsmuir's widely quoted statement, "Those who do not know history are condemned to relive old mistakes," could not be more apt than at the present moment. We are reliving some old economic mistakes—and these mistakes are impeding recovery. We can learn which of our current policies are mistaken by an examination of history. In particular, we can learn that current Federal spending and the resultant deficit, which are supposed to be aiding recovery, are actually impeding it. We can learn from history that fiscal stimulus and deficit spending are not the royal road to prosperity.

Jimmy Carter is urging increased government spending as a means of speeding recovery. Yet that is the remedy that failed from 1933 to 1935 when the Great Depression was prolonged by two years beyond the recovery that occurred everywhere else in the world. The prolongation was the result of a series of measures that included stepped-up Federal spending. The 1933-35 failure is not as clear and obvious as several later failures, however, because so many other "social experiments" undertaken at the same time make it difficult to pin the donkey's tail on fiscal policy alone.

The experience of 1948-49, however, is very clear. There is no doubt that deficit spending failed to produce the expected consequences in 1949. It failed to produce the runaway boom that was confidently predicted by the fiscal ideologues and it failed to prevent a recession. Despite a marked increase in fiscal stimulus in 1948 and 1949, recession occurred in 1949. In 1948, there was a $12 billion swing in

the Federal budget, in the direction labeled "stimulus" by the fiscal ideologues. That presumed shot in the economy's arm was the result of a tax cut, enacted by Congress in April 1948, and of increased spending. Those who believe that increases in spending relative to tax collections stimulate the economy were so worried that a runaway boom and inflation were going to follow this $12 billion swing in the Federal budget (equivalent to a $75 billion increase in today's budget) that they persuaded President Truman to veto the tax cut. Congress overrode Truman's veto.

The believers in the influence of fiscal policy continued to worry about the economy becoming overheated with a runaway inflation. They persuaded Truman to call a special session of Congress, in August 1948, to impose price controls. Congress refused to do so. In spite of all the predictions that fiscal stimulus was going to produce a runaway inflation, consumer prices fell by 5 percent and wholesale prices by 10 percent in the following 16 months. Instead of booming, the country slid into a recession in late 1948. Prices peaked in August 1948 at the very time that Congress was called into special session.

The believers in the notion that the fiscal policy tail can wag the national dog should have known better than to make their 1948 predictions—predictions which turned out to be the *exact opposite* of what materialized. They had failed just as miserably in predicting what was going to happen in 1946 after the most enormous shift in fiscal policy which has ever occurred in our history. If ever there was a test of the fiscal ideology, 1946 was it, and *fiscal ideology flunked.* If Federal spending makes the economy go, someone forgot to tell the economy it was supposed to stop in 1946.

In 1945, the believers in the Federal spending theory of prosperity predicted that 1946 would see us suffering from 8 to 12 million enemployed because of the great *cut* in government spending following the end of World War II. Federal outlays were sliced by $60 billion in 1946. That is equivalent to a $400 billion reduction in Federal spending in today's economy. The drop in government spending—which was supposed to be followed by a depression of 1933 proportions—was actually followed by such a rapid employment rise in industries producing civilian goods that, despite the release of people from the armed forces and from the armament industries, we were complaining about shortages of labor and over-full employment in 1946. Less than 3 million were unemployed—not 12 million. The number unemployed was less than would be expected in periods of normal prosperity considering the time taken by new entrants to the labor force to locate their most desired jobs and by voluntary quits who spend time finding jobs more desirable than those they quit. Also, many of the unemployed were members of the 52-20 club who were unwilling to lose their membership by taking a job. Evidently, *it is not government spending which keeps the economy going.*

The fiscalists who believe that deficits stimulate and surpluses depress the economy should also be forced to examine the history of the 1920's. They should tell us how it is, if Federal surpluses depress the economy, that the economy managed to boom. How did the country manage to keep setting new employment records when we had a terribly "depressing" Federal budget? How did output keep increasing despite annual surpluses in the Federal budget sufficient to reduce the national debt from $25 billion in 1921 to $16 billion in 1919? (That is equivalent to a $25 billion annual surplus in today's Federal budget.) How did employment manage to grow from 40 million in 1921 to 47 million in 1929? How did the real GNP manage to "creep" up by 46 percent (an annual growth of 5 percent) in that eight-year span of naive, old-fashioned belief in balancing budgets and paying off debt?

How did the real GNP manage to "creep" up by 46 percent in eight years of naive, old-fashioned belief in balancing budgets and paying off debts?

Currently, the Federal government is running a near record-breaking deficit, over $50 billion annually, yet the unemployment rate has been rising—from 7.3 percent last May to its recent 7.8 percent level. If large deficits could do the job of restoring full employment, the recovery from the 1974 recession should have been completed by now. But it hasn't been. Deficits as a nostrum for unemployment have failed repeatedly, are currently not affecting a cure, and yet more of the same is being urged. The unemployment physicians are behaving like those who treated George Washington. When a little bleeding failed to cure, they tried more bleeding, and then still more—and killed their patient.

But we are being told that this past recession and the current recovery are like no other cyclical episode in U.S. history. Who ever saw double-digit inflation during a period of falling economic activity and employment as we did in 1974? Who ever saw declining interest rates during a recovery such as we have seen during the past 18 months? Interest rates are supposed to slide during a recession and recover during an upturn. Interest rates did slide during the downturn, although they did not begin their slide until eight months after the recession began. The prime rate dropped from 12 percent in July 1974 to 8¼ percent by April 1975. That is when the recovery began. But the prime has continued to drop, from 8¼ percent last year to 6¾ percent currently. The Fed Funds rate has dropped even more sharply, from its 13 percent peak in July 1974 to 5 percent currently, 18 months after recovery began.

The interest rate slide has been in the face of a recovery which has seen civilian employment rise from 84 million in March 1975 to 88 million currently. *Current employment exceeds our previous peak of 86 million jobs in mid-1974 by 2 million.* So here we are with a record number of jobs and a record increase in number of jobs for any 18-month period, yet with a high unemployment rate, with declining interest rates, and with depression-fighting measures being urged in the midst of a recovery that is already well under way, by nearsighted politicians who can see no farther *forward* than the nearest elections and no farther *back* than the last boom—if that far

Is this faltering recovery something which requires special measures to keep it going? Should we apply the New Deal measures which failed in the 1930's to meet the employment problems of the 1970's? Should we enact a Humphrey-Hawkins bill as the Democrats urge? Should we enact more public works programs to re-employ the 15 percent of construction workers who are unemployed as George Meany urges? Should we prepare to clamp on price controls as Jimmy Carter's advisers believe may be necessary?

Of more immediate concern, should we be following the advice of Profes-

sor Larry Klein, Mr. Carter's prime economic adviser? He is urging the Federal Reserve to reduce interest rates by pumping more money into the economy. He thinks the current recovery is being throttled by high interest rates. He wants to spur the economy by reducing interest rates. But there is a fundamental question to be asked. Will Dr. Klein's proposed money policy reduce interest rates—or will it raise them?

Here is where a little history can help us avoid a great mistake in policy which is being urged by Mr. Carter's economic adviser. If we follow Dr. Klein's advice, we will end up with *higher* interest rates—not lower rates—and we will re-ignite a more rapid inflation after paying a very high price to reduce the rate of inflation from its 12 percent annual rate two years ago to its current 6 percent rate. *To throw away a victory half-won at this point is the height of folly and irresponsibility.*

Now what is it that history can tell us about the effect on interest rates of a step up in money growth? The first effect *is* that predicted by Dr. Klein—what we can call a *liquidity* effect. Unexpected increases in cash flows do cause a decrease in short term interest rates for five to eight months.

If large deficits could restore full employment, the recovery from the 1974 recession should have been completed by now.

Dr. Klein would say, "Fine. That is exactly what we want. With lower interest rates, business will borrow more to carry more inventory, to buy more machinery, and to put up more plants. Developers will borrow to erect houses and apartments. The rise in autonomous spending will generate a multiplier effect which will increase GNP by a multiple of the increased investment spending. That will increase tax collections and the Federal deficit will be eliminated by the rise in tax collections."

This hypothetical quote from Dr. Klein may be good theology, but it is lousy economics and it is contradicted by historical experience.

Our historical experience tells us that usually within eight months after money growth is unexpectedly increased, interest rates will turn up. In another five to eight months, they go back to the level prevailing before the increased money growth began. After that, they exceed the earlier level. The rise, after the initial fall, is a consequence of two effects of increased money growth. One can be called the *income* effect. Three to five months after an increase in money growth rates, nominal incomes start rising, increasing the demand for goods. Rising sales lead business to start borrowing more to increase production. The rise in business borrowing causes interest rates to start rising.

In addition to the income effect, there will also be an *inflation* effect. The increased demand for goods starts prices rising. Historically, we find that every extra one percent added to the rate of inflation adds, with a lag if there has been a long period of price stability, one percentage point to interest rates. In the current situation, which follows a long period of inflation, the lag in the inflation effect on interest rates will not be long—something less than two years.

Dr. Klein's prescription for producing lower interest rates, then, will produce higher interest rates—exactly the opposite of what we want. The use of his prescription in 1971 and again in 1972 pushed our interest rates to astronomic levels in 1974 and 1975. That is why they are still at extraordinarily high levels by historic standards.

Dr. Klein's medicine is even worse than what I have already described. He wants to prescribe not only higher money growth to lower interest rates but also larger deficits to lower unemployment. If the government borrows more, however, then interest rates will move to higher levels—not to lower levels. If the Federal government were not borrowing so much currently, interest rates would not be as high as they are. The way to get lower interest rates is to reduce government spending—not increase it. By cutting Federal outlays for public works, for example, the money the government is now borrowing would be left available for residential and commercial construction. The volume of private construction is as low as it is because private builders are being crowded out of the money market by government borrowing (and construction is also being depressed by the constant increase in minimum wage determinations for Federal construction being made under the Davis-Bacon Act).

Some of this crowding out is a *direct* effect of government leaving so little money in the financial markets. Some of it is an *indirect* effect produced by reducing the net worth of stockholders. One of our studies at the University of Chicago shows that the value of common stocks held by individuals has a direct impact on the demand for residential construction. When the stock market drops, this reduces the net worth of individuals and the proportion of their portfolios held in common stocks. The drop in net worth reduces their demand for owned housing and for rental housing as a part of their investment portfolios. Whatever amount the government adds to its construction budget will be offset by a decline in private construction and private spending on other capital goods below what they would otherwise be as a consequence of direct and indirect crowding out effects.

You may have noticed in 1974 that every time an announcement was made that the Treasury's expectation as to the amount it would need to borrow was being increased, the stock market dropped. That is the direct result of "crowding out" in the financial markets. With more money being taken by the Treasury, less was left to buy stocks and the demand for stocks dropped. An indirect result was that housing starts dropped all during the period of the decline in the stock market. The effect, then, of the Treasury borrowing to finance more public works was a drop in private construction.

Meany should have looked to his own glass house instead of throwing stones at Mr. Ford.

But here we are in the midst of a slowing in the rate of recovery that worries everyone and delights no one except Mr. Carter. All I have done is to tell you that the standard remedies will not cure us. So what is to be done to speed the recovery?

Let us look at two sides of the coin in order to get at this problem. First, why the current slowing in the recovery rate—the drop from 9 percent real growth in the first quarter to less than 4 percent currently? Then, what does

the answer to this question imply about the appropriate measures to end the slowing and speed the continuation of the climb out of recession?

There are two aspects to the current phase—monetary policy and wage rate behavior. Looking at the behavior of money growth rates (see Table 1), you will find that the six-month money growth rate peaked in August 1975 at 8.2 percent (on a *one-month* basis, it peaked in June at 15.1 percent). It then slid month after month to 2.6 percent in December (on a one-month basis, the annual rate of growth in December was minus 3.2 percent) and bottomed at 2.2 percent in January, 1976. That was five months of a declining rate of money growth. Now what is important about that?

Let me tell you about a very crude forecasting rule that works fairly well. Any time money growth rates decline persistently month after month, you can expect economic *growth* to start slowing *6 to 9 months later.* If the money growth rate decline continues for 12 to 14 months, you can expect a downturn in the economy 12 to 15 months after the decline in money growth rate began. Currently, that would mean that if the slide in money growth rates which started in August 1975 had continued up to now, we would be on the verge of a downturn in the economy. *That's a lesson which history provides which has been substantiated time and again.*

The recession that began at the end of 1973 was preceded by a slide in money growth rates from a 10 percent peak in December 1972. The money growth rate slide did not bottom out until February 1975. The economy hit bottom only two months later and began an upturn within three months. The point here is that the 1974 recession was predictable and its depth ascribable to the long continuation of the slide in money growth rates.

The 1970 recession was preceded by 13 months of declining money growth rates. The 1960 recession was also preceded by 13 months of declining money growth rates. This story can be repeated for every recession where we have data on monthly changes in the stock of money in the period preceding the recession.

The current slowing of growth also has historical analogues. We had a similar pause in 1955 when we were on our way out of the 1953-54 recession. That pause was preceded by a nine-month decline in money growth rates that began 10 months earlier. And do you remember the economic pause in 1962 that became known as "the pause that didn't refresh?" It was preceded by an eight-month decline in money growth rates. And there is the mini-recession of 1967 when we actually had a dip in real GNP for a few months that didn't last long enough to be officially labeled a recession. That, too, was preceded by an eight-month slide in money growth rates.

But to come back to where we are, I told you that if the money growth rate slide, which started from an August 1975 peak, had continued up to now, we would now be slipping into recession. But it didn't continue! It bottomed out in January 1976. The slowing of the economy's rate of rise is about to end. The beginning of this year should see a resumption of a higher rate of recovery by the end of the quarter with short-term interest rates bottoming. Long-term rates will remain soft provided the rate of inflation continues to move down. With the recent rate of money growth, however, it is not likely that the rate of inflation will fall any further for the next six months.

What I have described to you is an empirical observation drawn from history. If there are no causal relationships underlying this correlation, then it is no better than a sunspot theory of business cycles. *Ad hoc* correlations have a way of breaking down soon after they are observed. But this empirical regularity is a more than an *ad hoc* correlation.

There is a theoretical, empirically verified underpinning for this historical regularity. When the money growth rate slows, expectations take about a year to adapt to the new circumstances. As a consequence, prices and wage rates continue to rise at rates which cannot be supported by the forthcoming growth of demand. In 1973, the demand for goods rose by 11.1 percent. Of this 11.1 percent rise in outlays to purchase goods, 8.6 percentage points were absorbed by a rise in hourly compensation. Businesses bid for scarce labor to meet the rising demand, and wage rates rose. Despite the large wage rise, 2.5 percentage points of the growth in demand remained to employ more labor, absorbing the additions to the work force.

In 1974, the slower rise in money meant a slower rise in spending and a slower rise in the demand for goods. The demand for goods rose by 6.9 percent. If nominal wage rates had not gone up, there would have been a 6.9 percent rise in employment. If wage increases had been restrained to 6.9 percent, employment would have been maintained at its old level and real wage rates would have gone up instead of declining. But expectations of accelerating inflation (price controls ended in April 1974) led to employers

TABLE 1. ANNUAL RATES OF CHANGE IN MONEY STOCK FROM SIX MONTHS PRIOR TO MONTH SHOWN

1969–76

	1969	1970	1971	1972	1973	1974	1975	1976
JAN	7.7%	2.7%	6.0%	3.9%	9.7%	4.8%	2.2%	2.2%
FEB	8.1	2.8	6.2	4.7	8.4	5.3	1.7	2.3
MAR	7.5	4.0	6.1	3.1	6.6	6.6	3.1	3.1
APR	7.1	5.0	7.4	7.5	6.4	6.7	2.7	5.8
MAY	5.9	5.4	8.9	7.6	7.4	5.4	3.6	5.4
JUNE	5.4	6.2	9.3	8.1	6.9	5.3	5.7	5.8
JULY	4.8	5.4	9.3	8.5	6.0	5.6	7.2	6.8
AUG	3.0	6.9	8.4	8.5	6.1	5.1	8.2	6.7
SEPT	2.7	7.0	7.5	8.1	6.0	4.2	6.8	5.6
OCT	2.5	6.1	6.0	8.0	5.9	4.1	6.1	
NOV	2.4	5.9	4.4	8.8	5.3	4.6	5.6	
DEC	1.6	5.8	3.5	10.0	4.8	3.8	2.6	

Source: *Federal Reserve Bulletin, Dec. 1974 and Feb. 1976; Federal Reserve Bank of St. Louis,* Monetary Trends, *various issues.*

TABLE 2. CHANGES IN KEY VARIABLES BEFORE, DURING AND AFTER RECESSION OF NOVEMBER 1973–APRIL 1975 AND OF NOVEMBER 1969–NOVEMBER 1970

PERIOD	HOURLY COMPENSATION	DEMAND FOR GOODS	NET EMPLOYMENT EFFECT	EMPLOYMENT*	UNEMPLOYMENT RATE AT END OF PERIOD
	ANNUAL RATES OF CHANGE (%)				
1972 IV-1973 IV	8.6	11.1	2.5	3.4	4.8
1973 IV-1975 I	11.2	5.3	–5.9	–1.7	8.9
1975 I-1976 II	7.7	12.4	4.7	3.2	7.3
1968 III-1969 III	7.5	7.6	0.1	2.8	3.5
1969 III-1970 IV	7.5	4.1	–3.4	–0.1	6.1
1970 IV-1972 I	6.9	9.5	2.6	2.6	5.8

**UNADJUSTED FOR CHANGES IN WORK WEEK.*

raising wage rates and agreeing in union bargaining to wage increases averaging 10.8 percent. That outran the rise in demand for goods and for labor by nearly four percentage points. That caused unemployment to rise from a normal 5 percent to nearly 9 percent (see Table 2). This wage rise outrunning the rise in demand continued into the first quarter of 1975. Employment continued to fall right into March as a consequence. *Hourly compensation rose at a staggering 13 percent annual rate in the first quarter of 1975. The 1974-1975 recession can be directly blamed on an overly rapid rise in nominal wage rates.* People were priced out of the labor market. That caused a two million decline in number of jobs.

The relationship of wage increases and demand increases reversed in the second quarter of 1975. The rate of wage rise slowed to seven percent. The demand for goods rose by 10 percent. The result of the slower rise in wage rates meant that 3.4 percentage points of the increase in demand went to employing people more hours per week and to employing more people.

From the first quarter of 1975 to the first quarter of 1976 we had a 13.1 percent rise in the demand for goods. If the wage rate rise had been restrained to only five percent, full employment would have been restored by the first quarter of 1976—that is, the unemployment rate would have dipped to five percent and men and women would have been working full work weeks. But the wage rise was not restrained to that level. Hourly compensation rose by 7.8 percent, leaving only 5.3 percentage points of the rise in demand to employ more people and to employ them more fully.

Restoring full employment requires a more moderate rate of wage rise. When Mr. Meany rumbled about Mr. Ford's failure to cure all our employment problem, he should have looked to his own glass house instead of throwing stones at Mr. Ford. He and his union cohorts should be providing the leadership to convince their membership that wage restraint will do more for restoring employment for their out-of-work fellow members than any government can do.

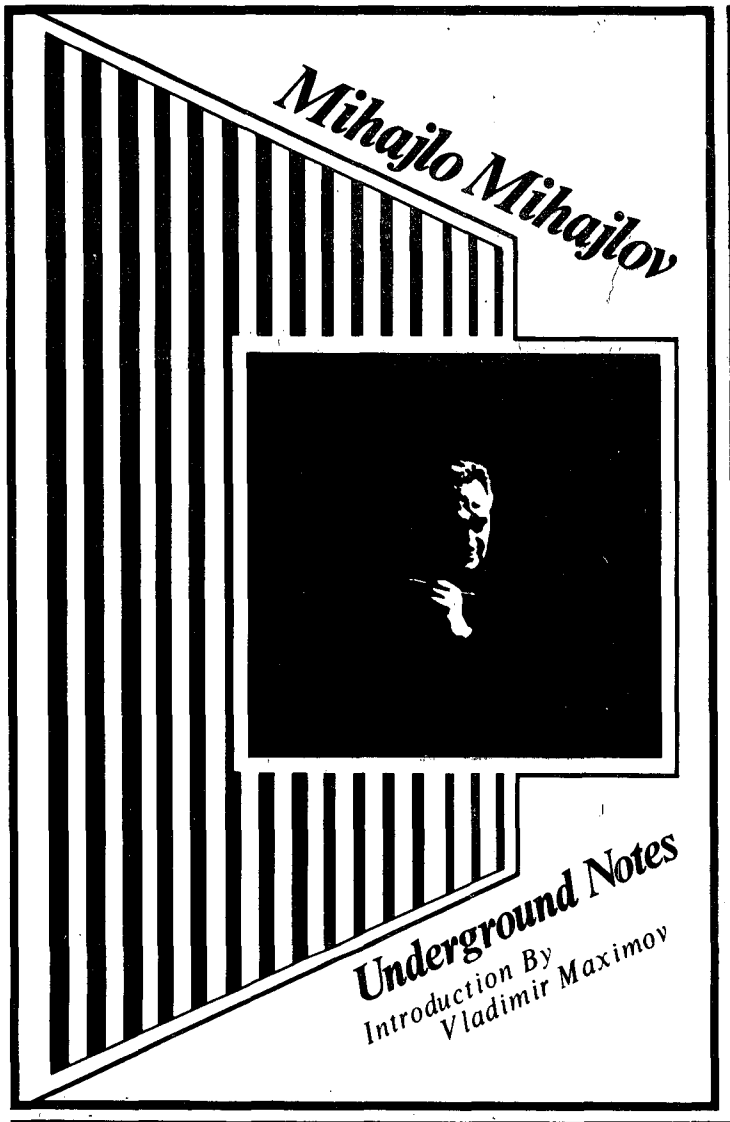
If we want our real compensation to rise more rapidly, we must insist that Carter reduce government spending.

Our employment problem—or rather our unemployment problem—is not one that can be solved by government. It is up to employers to avoid giving large wage increases that are inconsistent with restoration of full employment. It is up to employers to resist union demands for unwarranted rises. It is up to union leaders to educate their membership that unwarranted wage increases cost their fellow workers the tragedy of long spells of unemployment. And it is up to all of us workers to recognize that while we all merit bigger wage increases than we are getting, bigger ones cannot be granted without creating tragedies for fellow workers. As a matter of fact, if our nominal wage rates were to rise more slowly, our real wage rates would rise more rapidly, paradoxical though this may appear to be.

If we want our real compensation to rise more rapidly and if we want to restore full employment, let us insist that Mr. Carter reduce government spending. We must reduce government spending in order to stop the drain of capital going into financing deficits—capital that would otherwise go to building and modernizing more factories and shops, providing more jobs, increasing productivity, and raising output. *That will raise our real rates of pay even while we accept a smaller rise in our nominal pay.*

Let us learn once again to balance government budgets. Let's repeat our historical successes, not our old mistakes! ◻

Yale Brozen is professor of business economics at the University of Chicago's Graduate School of Business, and an adjunct scholar at the American Enterprise Institute in Washington, D.C. This article is adapted from Prof. Brozen's presentation last fall at the Operations Management Conference of the Dealer Bank Association.



Underground Notes
by Mihajlo Mihajlov

Yugoslavia's Solzhenitsyn proclaims that the human spirit is inevitably approaching a renaissance.

Despite the years of political persecution and the years in prison, Mihajlov is known throughout the West as a clarion voice of freedom.

The theme common to the essays in *Underground Notes* is that the human spirit is approaching its renaissance, that we will come to realize that what holds us together is stronger, more natural and more enduring than what keeps us apart. Mihajlov believes that through suffering and deprivation man has learned of the artificiality imposed on us by things and ideas external; it is the acceptance of the internal man that will lead us to our religious rebirth. The Introduction by Vladimir Maximov, the editor of *Kontinent*, examines Mihajlov's contribution to Western letters.

"The 18 articles in this collection, covering 1970-74, have a broad range of scope—reflections on Tolstoy, Dostoevsky, Solzhenitsyn; discussions of Marxism and Leninism; a long critical essay on Djilas; and a thoughtful piece on 'Mystical Experience of the Labor Camps'—but all of them touch on the theme of religious renaissance, reflected in a 'planetary consciousness.'"

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—Vladimir Maximov, author of ***The Seven Days of Creation.***

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ROLLING BACK SOCIALIZED MEDICINE

Mark Tier

With the election of Jimmy Carter to the presidency, the prospect of national health insurance or some other form of Federal takeover of medical care looms ever larger. In Australia, however, a lesson in how to fight such programs—and make headway—has been provided by militant libertarian doctors.

Australian newspapers last August headlined a plea by Gough Whitlam, the former Labor prime minister, for members of his party to forego the significant health insurance savings they could achieve with private companies—and to patronize the more expensive government program, Medibank. Whitlam claimed that the private companies would use their financial reserves to price Medibank out of the market. Once Medibank had been destroyed, he said, the private funds would raise their charges and make "monopoly profits."

This was perhaps the strangest charge to come out of the battle for socialized medicine in Australia, revealing both Whitlam's gross economic illiteracy and his ignorance of the extent of the reserves of the private companies, which amounted to only about two months' liabilities. The battle began in 1968, when a group of dissident general practitioners split off from the Australian Medical Association to form the General Practioners Society in Australia (GPSA). It escalated in 1972, when the socialist Labor Party won control of the federal government after spending 23 years out of power. The past four years have seen the full establishment of socialized medicine in Australia—and for the first time in the Western world, its partial *desocialization.*

Few would have foreseen such success when the Labor government rode to power under Whitlam in 1972. During the campaign, one of the major Labor Party planks was a demand for universal, almost-free health services. The original plan called for the government to pay 85 percent of a governmentally approved fee for visits to doctors, to be financed by a 1.75 percent levy on all incomes. Conservative opposition, led by the Liberal and Country parties, succeeded in stalling implementation of the measure until July 1, 1975. The version that took effect was financed from general revenues instead of a new levy.

With the advent of the conservative Liberal and Country parties to power late in 1975, labor unions raised cries of protest against proposed changes in the Medibank program. Indeed, they managed to frighten the newly dominant Liberal Party into continuing to let Medibank compete against private funds on all forms of health insurance. Yet the principled stand taken by a relatively small group of general practitioners, the GPSA, had changed the climate of debate. When the clock was "turned backwards" on Medibank last October 1, the GPSA deserved a large share of the credit. Even though Medibank continues to be financed by a 2.5 percent levy on incomes (up to a $300 maximum per family), Australians

now have the opportunity to avoid the levy by insuring instead with a private fund.

The savings are dramatic. Much to former prime minister Whitlam's disappointment, the private funds have undercut Medibank by up to $100 a year on the more expensive coverage. Whitlam's call for his supporters to deal with Medibank at such cost has fallen on unreceptive ears; socialists, it seems, are as reluctant as anyone else to fork out needlessly large sums of money, so long as the money is their own.

Australia's health insurance industry has always been government controlled. When Labor came to power, it could rightly point to an ossified industry with every firm offering exactly the same services at exactly the same prices, to say nothing of an obviously inefficient proliferation of health funds. But not only had the lack of competition—due to government licensing and the fact that it effectively dictated charges and services by subsidizing benefits—produced an inefficient uniformity, it also perpetuated what was, and still is, a subsidy rather than insurance operation. Funds would pay out a percentage of *all* medical bills—even if only $3.50. True insurance, which would have paid only when medical bills for a year totalled more than some agreed figure (say $300), has never developed in Australia. By eliminating the enormous quantity of paperwork entailed in processing every medical bill in the country, such a plan would save consumers hundreds of dollars per year.

Australians now have the option of avoiding the tax and insuring instead with a private fund.

This approach has been widely pushed by the GPSA, but has fallen on deaf ears, especially among Liberal Party politicians who proudly tout their devotion to free enterprise and competition. Despite this failure to date, the existence of the GPSA made it possible for the Liberals to make an election issue out of Medibank. The *example* of the GPs' Society, and the *initiatives* it developed in order to protect doctors from government control, made it possible for the AMA, the other medical bodies, the health funds and eventually the Liberal and Country parties, to not only oppose Medibank but undertake to dismantle it.

The GPSA was formed in 1968 when a group of young general practitioners met at an AMA conference and decided that a body was needed specifically to represent the needs of general practitioners. One of the founding members, Dr. Peter Arnold (who fled South Africa the day of his graduation to avoid being interned for student activism), recalls that he initially thought any such organization "should be part of the AMA. Bruce Reading, by detailing the constitution of the AMA and its state branches, rapidly reversed my opinion." Reading showed Arnold how the AMA was ruled by a self-perpetuating body of medical politicians drawn mainly from the ranks of specialists. Although elected, AMA officeholders were elected by state committees, which were in turn elected by regional committees, which were then elected by the members. Thus, any group within the AMA would find it all but impossible to influence AMA policy—let alone overthrow the leadership. The result was the formation of the GPSA.

Arnold's and Reading's main grievance with the AMA was that it tended to ignore the interests of GPs, which they saw as radically different from those of specialists. Thus, membership of the GPSA was restricted to general practitioners *in private practice,* and all issues, including the election of officials, could be voted on by all members—either by attending the annual conference or by referendum. In its eight years of existence, it has developed an extensive and formidable array of tactics which enable doctors to remain free of government controls—*regardless* of what type of government health scheme exists—and has led the political battle against government interference.

Medibank was not a bolt from the blue. It was, rather, merely the logical extension of the medical system built up under 23 years of Liberal rule. Like the United States, Australia has many doctors who emigrated from Great Britain because of the National Health Service. As Duncan Yuille, former General Secretary of the GPSA and now a Governing Director of the Workers Party (the Australian equivalent of the Libertarian Party) puts it, "I've seen it all before." Hundreds of these doctors form a significant part of the 2,000 members of the GPSA. The fact that so many people had seen it happen abroad—and could see it happening again in Australia—gave the GPSA an initial impetus which still sustains it. Even today, only one of the three leading figures in the society is Australian-born.

The most important step on the road to Medibank, says the society, was the "Gorton Scheme" of 1969. John Gorton, then (Liberal) Prime Minister, promised in that year that no operation would cost more than $5. The government, via the funds, would make up the rest. "This scheme effectively eliminated the joy of being a general practitioner," says Duncan Yuille. "If it's only going to cost you five dollars, no matter whether a GP or a specialist treats you, who are you going to want?" The answer, of course, was the specialist.

To go to a specialist, and get the fund benefits, the patient in Australia must have a note from a General Practitioner. Thus, the GP became a signpost, treating colds and sniffles and sending everyone else off to see the specialist. "Every GP has a speciality," says Yuille, "and it's that that makes the practice of medicine exciting." In his own case, Yuille specialized in obstetrics. As a GP, he charged $60 for a delivery. The specialist charged $120. A quirk of the Gorton scheme—which almost halved the number of doctors practicing as GPs within two years—was that the $5 maximum the patient would have to pay applied only when he went to the specialist. The government and fund payout for delivering a baby when done by the specialist would be $115. When the patient's baby was delivered by the GP, she could only get back $40 of the $60 she was charged. In the space of two years, thousands of GPs called themselves specialists and made double the money they could make before.

The GPSA's example has made it possible for others to not only oppose Medibank but attempt to dismantle it.

Thanks to an oddity of the Australian constitution, doctors cannot be *forced*—as they were in Britain—into Medibank. A 1946 amendment, which gave the federal government power to legislate for social services, fortunately included the words "but not so as to authorize any form of civil conscription." This means that the federal gov-

ernment is virtually powerless to regulate doctors directly. Prices cannot be fixed, services designated, or standards proscribed or enforced. But through its power of the purse, and the willing compliance of the AMA, the government has gained considerable powers.

Denied the possibility of conscription, Labor attempted to buy doctors into the scheme and then compete them out of business. The Labor government established a number of "Community Health Centers," staffed by salaried doctors who were paid more than the average GP could hope to make, with substantial fringe benefits such as pension rights, cars, 9 to 5 hours—and overtime if forced to work "beyond the call of duty." And as if to blatantly announce its intentions, the first two centers were established in Vaucluse and Toorak, the wealthiest suburbs of Sydney and Melbourne respectively—both areas with the highest per capita supply of doctors in the nation!

The community health centers won some doctors away from other pursuits. The second method by which Labor attempted to win control over doctors was through bulk-billing. Doctors could choose (as they could not be forced) to send all their bills directly to Medibank, and receive payment of the government's "common fee." They would, Labor argued, save on postage, printing, administration, and bad debts by so doing. If they could sell this system to enough doctors, Laborites knew they would be able to set fees and conditions throughout the country.

The GPs' Society had foreseen something like this happening many years before Labor put it into law. One of its first tasks was to discover just what the law said, and how the Society could use the law to protect its members. GPSA leaders realized that the heart of their fight was money—he who paid the doctor would call the tune. By refusing to take money from the government—and by making it impossible for the government to come in by the back door of controlling payments via patients—the Society developed the means whereby any doctor who chooses can remain completely free and independent of any government directives—both now and in the foreseeable future.

The key is the doctor-patient relationship. "The doctor is a trader" is one of the principles of the society, voted to that status by the members at a postal referendum, and this means that the contract between the doctor and the patient is between the doctor and the patient and nobody else. The Society's lawyers drew up a simple contract that doctors could ask their patients to sign, in which this relationship was made explicit, and the patient acknowledged full and sole responsibility for the payment of fees. No third party—and because of the constitution, that "no third party" includes the government—can break into this contract. The government can subsidize the patient, but that subsidy always remains irrelevant to the doctor.

To ensure that the contract would always be fulfilled, many members of the GPSA asked their patients to pay cash. Most patients were, and are, happy to do so. The Society also advised its members to abandon existing health care plans of a Medibank nature—before Medibank itself came into existence, and even before Labor came to power. One such program was the Pensioner Medical Service, in which the government paid the fees of pensioners directly to the doctor. Most GPs who left the PMS today charge pensioners only what they will be re-

STATEMENT OF PRINCIPLES OF THE GENERAL PRACTITIONERS' SOCIETY OF AUSTRALIA

Members of the Society believe:

That the highest standard of personal health care is best served by a system of medical practice where the private general practitioner is the doctor of "first contact";

That the principal reason for the existence of the medical profession is the care of people of all ages in health and in sickness in order to preserve as much as possible a state of physical, mental and social well-being;

That the contract for treatment is between the patient and his doctor;

That the scope of a general practitioner's practice is dependent only on his medical knowledge, experience and ethical conscience;

That every patient is entitled to a free choice of medical attendant both in regard to his general practitioner and to any consultant specialist whose opinion or treatment it appears necessary to obtain;

That the general practitioner does not bear the onus of policing the extent of the use by his patient of his services;

That in any circumstances where the payment of the medical practitioner's fee is by a party other than the patient, then any restriction on the extent of the use of the medical practitioner's service by thepatient must be imposed on that patient by the party responsible for the fee and not on the medical practitioner concerned;

That there should be no bias against general practitioners working in local public hospitals;

That the treatment offered to pensioner patients should in no way differ from that offered to a private patient;

That they should adopt a policy of

(1) absolute opposition to further encroachment of government control over the medical profession and over its relationship to the public, and consider that a firm stand be taken to prevent the launching of a government-controlled national health service;

(2) formulation of a plan of action to be undertaken in the event of any serious threat of nationalisation;

That with the welfare of the general public in mind they are totally opposed to any form of statutory or other regulation imposed upon the medical profession requiring them to prescribe drugs by generic nomenclature;

That the fee for medical attention must be determined on a "fee-for-service" basis and as a matter solely between the doctor and his patient, save where a third party is by statute responsible for the fee, when the fee shall be decided by mutual agreement, both initially and at periodic reviews, by the general practitioner and the statutory authority concerned;

That they oppose the voluntary health insurance organisations paying a higher rebate for medical or surgical procedures performed by specialists as compared with the rebate paid for the same procedure performed by a general practitioner;

That the General Practitioners' Society in Australia remains a body separate from the Australian Medical Association;

That they should accept the desirability of dialogue with all political parties concerning the future of medical practice in Australia.

funded by the government or health fund, so that their move will not cause any hardship.

An advantage of this strategy was more price flexibility for the doctor. Prior to the existence of the GPSA, the AMA would negotiate with the government once or twice a year a new scale of fees. Government approval was necessary as the government could refuse to subsidize any fund which paid out benefits different from the agreed scale. In other words, the AMA required government approval of its new fee scale so that patients would be subsidized at that higher rate.

The GPSA advised its members to set their own fees. From time to time, it would publish advice about new fee scales—without, of course, notifying the government. In fact, one weekend, while the press was occupied with the latest AMA approach to the government, GPSA committee members worked at putting out and mailing a new fees list. They did not even let their office staff in on the move for fear that the word might somehow get out. The press did not even notice.

My own doctor tells me that he has "never before now practiced medicine in the way I wanted to." His patients phone at any time, and there is almost always a vacant appointment sometime the next day. Yet, every morning, the doctor has a full day. He has, in other words, priced his services at the rate at which supply and demand are about equal. The result is that patients pay more than they would elsewhere, but they get treated better too. Like most doctors, mine is usually running a bit late, but he can spend a full fifteen minutes with his patient and properly diagnose any troubles. Too many doctors—especially those who charge the AMA-government "common fee"—are run off their feet and have no time for anyone as a result. Mine has the time to treat patients, not just diseases.

For the first time in the Western world, medicine has been partially *desocialized.*

The GPSA has been the focal point for the opposition to socialized medicine in Australia. By developing the tactics for personal and political use, it has enabled doctors who choose so to remain in *private* practice no matter what happens elsewhere. It has gained support from sympathetic people in the AMA, the health funds, drug companies, the general public—and even from a few politicians. By creating a political power base, it has forced politicians to listen, whether or not they want to hear. It has certainly influenced AMA policy; at one time, when Labor was close to putting the finishing touches on Medibank, it seemed that the AMA might adopt the GPSA's tactics holus bolus. The AMA had never really come to grips with the dangers that the government represented, because of its traditional ability to come to cozy agreements with whoever happened to be in power. With Labor, that didn't work. In searching around for another means of opposition, the association found that there was only one available in the time required: the GPSA's. In the end, the AMA opted for its traditional negotiating stance, but not before showing the government its willingness to consider other approaches.

Provided the government sticks to its present course, the private funds will quite probably reduce Medibank to a shadow of its former self. The government estimates that about 50 percent of all Australians will opt out of Medibank for private insurance. (Unfortunately, one cannot opt out of health insurance altogether.) If true insurance—covering only the excess after a certain minimum expenditure each year—is finally offered on the market, more Australians will flee Medibank, leaving only those who are truly poor—and those who wish to spend an extra hundred-odd dollars per year for ideological reasons. Even if this doesn't happen, to be the first Western nation to partially denationalize medicine is a singular achievement—and much of the credit must go to the GPSA.

While the GPSA may have made this possible, what made the GPSA possible was a few committed men with enough perception to see the problems and devise solutions, and with the guts to stand up and be counted. Some, such as Peter Arnold, were heavily influenced by Ayn Rand; some, such as John Whiting, came to a libertarian philosophy independently—and in Whiting's case, wrote two books illustrating the deterioration of medicine (*and* doctors *and* patients) in government hospitals and under socialized medicine; some, such as Duncan Yuille, had left England and begun to wonder what was wrong with the world when they saw the same thing happening for the second time; and some, such as David Cunningham, an abrasive Scot and GPSA president, you imagine were born that way.

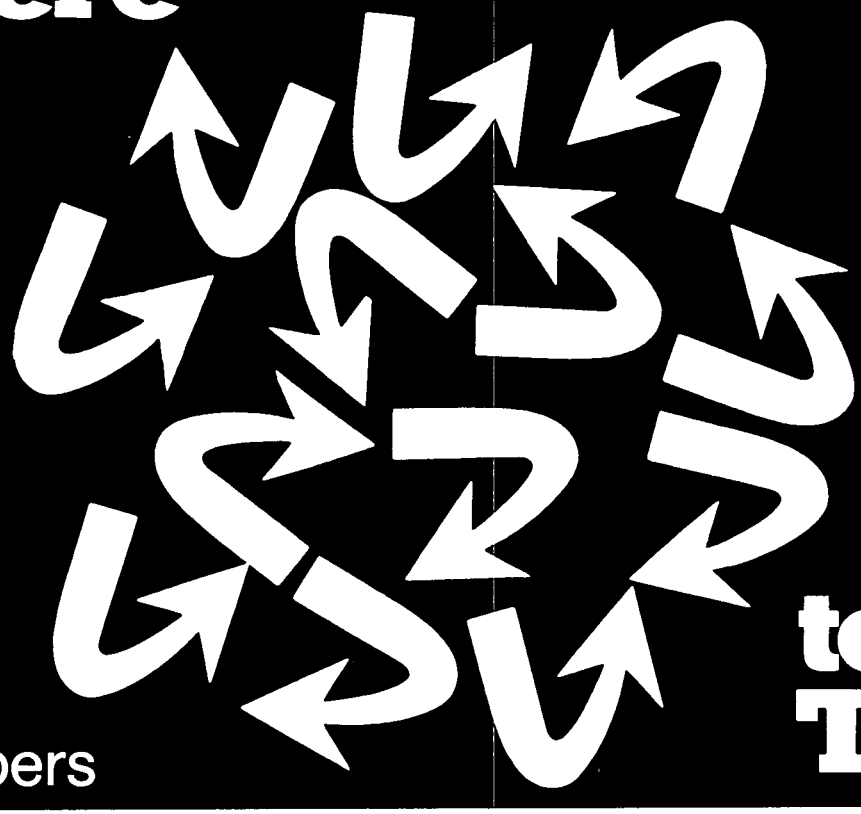
If you've got the guts, and some support, John Whiting and the others have shown that you can force the government to back down. One final example will make the point. At the end of 1973, South Australian Labor Premier Don Dunstan decided to cash in on medical politics. As the abovementioned constitutional provision regulates only the federal government, Dunstan could—and did—introduce price controls on doctors' fees in his state.

There was an immediate reaction from John Whiting and South Australian GPSA members. Dr. Whiting announced that he would ignore price controls, continue to charge his own fees, and go to jail if necessary. The South Australian branch of the GPSA announced that if any medical practitioner was prosecuted, they would restrict their working hours to 9 to 5, Mondays to Fridays. If any doctor was fined or jailed, they pledged to restrict their services to emergencies only. The statement, which was circulated among GPSA members for their signature, ended: "Industrial action of this sort is distasteful to our profession, but we would resort to such action rather than be dictated to, at the point of a gun, by a petty tyrant."

Dunstan backed off; the price order was lifted. Initially, no doctor other than John Whiting was willing to make a stand. But once he had, others were willing to take a lesser position, and together they won. That one man is always crucial. When he is there, mountains can be moved. Even governments. [r]

Mark Tier is editor of World Money Analyst, *a monthly financial newsletter. A native of Australia, he now makes his home in Hong Kong. He is cofounder of the Libertarian World Society and editor of its newsletter,* Commonsense.

Getting From Here to There



John Hospers

The recent Libertarian Party campaign for the presidency raised questions in many people's minds about the wisdom, practicality, and morality of political activity as a means of reducing or eliminating State coercion. How, indeed, can a free society be achieved? What are the difficulties with a political approach and how can they be dealt with? Professor John Hospers, who has been active in the Libertarian Party since its inception, here tackles these important questions. In particular, he focuses on the problem of the "transition period" between our present semi-socialized society and a free society. Suppose a Libertarian administration actually were elected in the foreseeable future? What would it do about Social Security, taxation, national defense? These are issues that have been too often ignored, and REASON is pleased to present Prof. Hospers' thought-provoking article. We hope it stimulates discussion of these points in the months ahead.

Libertarians envision, in varying degrees of specificity, what a libertarian society would be like. It is obvious that no society in the world today resembles this picture, even remotely, and that most governments are getting further away from it every year. How is the gap to be bridged between what is and what might be? What strategies are to be employed? May principles be compromised in the attempt to achieve a libertarian society?

These are difficult questions, and I shall probably introduce more problems than solutions. What I want primarily to bring out, however, is the complexity of the problem—so many libertarians talk as if it were all very simple.

REVOLUTION

Libertarians agree that the use of force is unjustified except in self-defense. But the State is constantly initiating the use of force (and threat of force) against each one of us. With virtually every new measure approved by Congress, more money is taken from those who have earned it and is used for a variety of purposes, many of which are disapproved by the vast majority of the very citizens whose money is forcibly taken. The same regulations that kill and cripple business enterprises are paid for by the very businessmen whose necks the government has already placed in the noose.

If the American Revolution was justified, consider how much greater is the tyranny today than was that of the British which the colonists were fighting. Isn't a revolution called for? True, this would mean the use of force, but wouldn't it be the use of force in self-defense, to which libertarians are not opposed on principle, rather than the initiatory use of force, to which they are? The prospect is tempting, but there are some important objections to it.

Consider, first, that many innocent people would be killed. And I have no right to take your life, or put you in a situation which places your life in jeopardy, just because I believe that the outcome I desire would be best for you. The implicit motto of statists is: My ideals for you are so important that I'll not only take your money but

risk your life to achieve them! But anyone who loves liberty must gag at such a motto, a manifest contradiction of his basic premises.

Second, most of the victims of an armed uprising would probably not be the same people who initiated the aggression. The people in the seat of national power would not perhaps be safe (assassination is a distinct danger even in the absence of revolution), but the vast faceless bureaucracy would probably be safer; it continues from one administration to another without much change. People would be killed hit or miss without much relation to their guilt or innocence.

In any case, an armed uprising seldom does much good; it would result only in exchanging one tyranny for another. (The American Revolution is in most respects a rare exception.) If you hit a person over the head you may change his behavior, but you will not have changed his *mind.* In fact, if he hated you or your ideas before, he will hate them all the more afterward. One can proceed effectively in changing human behavior only through the use of the mind; and this takes patience, effort, *education*—all of which are extremely time-consuming and difficult. Think how long it takes one person even of high intelligence to absorb libertarian ideas thoroughly, then multiply this by millions. But there is in the end no way to reach people except through their minds. (Even their emotions won't do: emotions can be equally strong on both sides of an issue, and the fact that an idea is held with deep fervor proves nothing about its truth.) Not every voter has to be a libertarian theorist, of course; but he must believe in a libertarian system at least as much as he now believes in the welfare state, and that alone is a monumental task of mind-reversal. In the final analysis it is the spread of libertarian ideas in the minds of men that will make the difference.

If libertarian ideas do not prevail, a change in governmental heads can make no difference. If through some fluke a libertarian president were elected, but a Congress similar to the one in 1976, he would be quite ineffectual and would probably be impeached or assassinated in a matter of months. But if libertarian ideas are to spread through the culture, even those ideas will lead the voting public to elect libertarians to office, and no armed revolution would be necessary, even if it were permissible.

POLITICAL PARTICIPATION

There are a variety of attitudes toward the institution of the State taken by libertarians, attitudes which have an important bearing on questions of strategy. One major group does not disapprove, and often seeks, involvement in the political process. The other major group rejects outright all involvement with the State, including any attempt to seek political office—some because they believe such involvement is useless and counterproductive; others, because it is immoral.

Those who believe it is useless argue as follows. Step 1: The government is so deeply entrenched that there is nothing we can do about it. If we want an ego-trip we can get involved, but let us be under no illusions about what we can accomplish. We can form new parties for years on end and campaign and draw people's attention to the defects of our government; but it will go on just the same, and very likely the huge unwieldy bureaucracy that now controls a considerable sector of our lives will only grow bigger in the meantime. Step 2: We should not place our chances for happiness or success in something we cannot control or alter, whether it be laws of nature or the State. So we should find activities in which we have at least some considerable chance of success: a profession, the arts, healthful amusements, marriage and family, etc. Do not deliberately select an arena of activity in which you are bound to butt your head against a stone wall of frustration and disappointment. Therefore, stay out of politics! This was the stand taken by the earliest of all famous libertarians, Epicurus (342-270 B.C.), and it is roughly the stand taken by the contemporary libertarian Harry Browne in his book *How I Found Freedom in an Unfree World.* (See my review of the book in REASON, March 1974.)

An armed uprising seldom does much good — it would result only in exchanging one tyranny for another.

There are many things to be said about this position, of which I will mention only the most obvious. It is impossible for virtually anyone anywhere in the world to ignore the State; it intrudes too much in everyone's lives. How would the advice "Find some other source of happiness" fall upon a Jew in Nazi Germany or any dissenter in Soviet Russia? For that matter, what about a factory owner in the United States who is hounded by OSHA, a trucker persecuted by the ICC, a farmer whose freedom to grow crops is stifled by the AAA, or any taxpayer hounded by the IRS? Even the ivory-tower academician who doesn't know or care how much productive people are persecuted in the marketplace is still subject to high taxes and inflation caused by government. The retired person is seeing his dollar eroded by the constant inflationary actions of the government. The effects of interference are so all-pervasive that no one can ignore them and many people are ruined by them. Nor can antipolitical libertarians do much without using the government roads or the government-operated public utilities. The choice is whether one accepts the omnipresence of government without a fight, or whether one takes measures to combat it. If *no* one combats it, it seems obvious that no change for the better will ever take place.

Changing the direction of the ship of state is difficult, but not impossible. Reversals have occurred before in history. Even if they hadn't, it is still true that changes come about because of human actions, taken singly or together. Governments have grown fat and powerful because of human actions, and they can be cut back to size by human actions.

Some libertarians, however, allege that involvement in the political process, particularly running for office and supporting those who do, is immoral. Political power, they say, is coercive power over the lives of other human beings, and no person has the right to wield such power. The only proper role of the libertarian is therefore educational—to attempt to persuade others of the evils of political power and the reasons for it, but never to try to assume such power oneself.

It must be admitted at the outset that those who do not oppose political involvement cannot afford to eschew the contributions of those who do. The main task, as we have already seen, must be educational—to bring about, voluntarily, a change in the minds of human beings. Even political libertarians must recognize this; for how else would a majority of the voters ever elect libertarians to office.

Nevertheless, the alleged immorality of political involvement seems to be mistaken. What is evil about assuming political office, not to use the State in order to wield greater power

over the lives of others, but to use it to dismantle the powers which it now wields? Advocates of limited government believe that all functions of government should be dismantled except the proper role of protection of rights; but even anarchists, who hold that government has *no* proper function, could consistently believe in political involvement in order to dismantle the political power-structure entirely. Either way, unless you are in the very seat of power, how are you going to dismantle it? At least it is infinitely more difficult if you are not where the action is. And isn't doing something, or at least trying to, preferable to sitting carping on the sidelines every time Congress leads us further down the path to statism?

One fact can hardly be controversial: that running for political office, and assuming such office if one wins, is the quickest way of getting libertarian ideas known to millions—not at any great level of profundity, of course, but then neither do those who voted in the present mixed economy have convictions of any great degree of profundity. To the extent that libertarianism is known in the United States today, it is almost entirely because libertarians have formed a political party whose members ran for office and had their ideas publicized in newspapers, magazines, radio, and television.

And why shouldn't one avail oneself of such an opportunity if it presents itself? Running for office is no *substitute* for education, but it is surely an excellent supplement. And what is wrong with it, as long as the libertarian (if he attains office) uses his office to curb the power of government, never to expand it? Surely it's better than saying, "The ship is sinking, but don't you dare put your hands on the tiller!" To argue that when he's once in power he'll change his ideals is no more plausible than that the antipolitical libertarian, once he has seen some of his opposite numbers succeed, will change *his* ideals!

RESISTANCE

Short of running for political office and supporting those who do, what else can be done in the arduous task of helping to bring about a libertarian society?

A suggestion sometimes made is: Contribute to government (under duress, never willingly), but take nothing from it. One contributes because one is coerced into doing so, and the penalties for failing to pay are severe. But we are not similarly forced to take from government; we are free to reject the stolen money.

I know a woman who for most of her life has strongly disapproved most government enterprises—but she paid her income tax and social security tax and all the rest, preferring this to the consequences of not doing so. But she declined benefits from government, reiterating that she had no right to accept money forcibly taken from others. Two of her sons were drafted and served in Vietnam; one of them was killed there. She refused the government's death benefits. She herself later became ill and spent all her years of savings on hospital bills. When she could not recover her job as a waitress owing to continued ill health, she refused to go on relief, preferring to live in abject poverty rather than accept "dirty money." When she came to retirement age she refused to accept any social security payments. She described her position simply by saying, "If everyone did as I did, the government would have no expenditures."

Governments have grown fat and powerful because of human actions, and they can be cut back to size by human actions.

Much as I admire the courage and resolution of this good woman, I believe that her strategy was foolish. Her action played right into the government's hands. The government couldn't care less whether she took a penny of what had been extorted from her; they were probably happy when she didn't—they had more money to throw around elsewhere. They didn't mind, that is, as long as she continued to place a portion of her meager earnings into their hands—which is exactly what she did. Besides, one might well ask, since she had paid thousands of dollars to the government during all those years, what's wrong with getting a few hundred of them back?

One can practice the above tactic in less self-sacrificing ways than this woman did. Consider the case of the great libertarian Rose Wilder Lane. She deliberately placed herself in a position where she wouldn't legally have to pay any income tax. She could have reaped considerable income from her published works, but this would have required her to fill out a Form 1040. So she eschewed all royalties and adjusted her income so that it remained below the $600-a-year annual minimum for filling out the form. And she consistently and actively resisted all attempts to be placed on social security. She wrote:

> I am law-abiding for expediency, for self-defense, in the main against my conscientious principles, so at bottom I am ashamed of not being a conscientious objector practicing Gandhi's or Thoreau's civil disobedience. I did refuse to be rationed (during World War 2); I do absolutely refuse to be Social Secured; but I should refuse to pay taxes and be in jail, only what would become of my little Maltese puppies? and my own little area of freedom? and my books and my friends and correspondents? I shall be reluctantly a martyr, and only when backed into the last corner of the last resort . . . .
>
> The Internal Revenue collector sent me a bill, including fine, for my not having paid the self-employment tax one year . . . . I sent a check. At intervals since then, various Authorities have been trying to force a social security number on me. They telephone and tell me I must have it. I get forms, my humble request to social security benefits, with command, Sign here and return. I put them in the wastebasket. I get orders to appear at such an hour, such a date, at such an office, with all records and receipts to show cause—I reply that it is not convenient for me to appear—etc. etc. I even get an order to appear and support with my claim for refund of the tax-and-fine that I paid. I return this, writing across it, I have made no such claim. The telephone rings, and I am informed that I am being given the necessary social security number; I say I have none and I shall not have one. I will have nothing to do with that fraud because it is treason, it will wreck this country as it wrecked Germany. I won't have it; you can't make me. [*The Lady and the Tycoon,* ed. Roger L. MacBride (Caldwell, Idaho: Caxton, 1973), p. 204.]

This kind of position—refusal to *take* from government—usually leads to a disinclination or refusal to *contribute* to it either. If one should not take dirty money, why should one add to its amount?

There's not much one can do about paying sales tax: the only way to avoid the tax is not to buy the article. But

income tax, the largest single source of government revenue, is something else again. The success of income tax resistance depends less on the efforts of any one individual than on how many *others* also engage in it.

If a comparatively small number doesn't file, and the enforcement remains stringent, then those few people are going to be heavily fined and perhaps imprisoned, and at the very least many valuable hours of their time will be taken in audits. The system will simply mop the floor with them. If several more millions decline to file or to pay, the situation may get out of hand; but is is also possible that the government will then increase the army of enforcers (increasing our taxes to do so), so that there will be still more tax-martyrs. In the end this tactic may be effective by giving publicity to the fact of widespread resistance, but on the other hand it may not be effective at all—it depends not on the resistance *per se* but on the amount of *publicity* it receives. (Resistance to the British by Gandhi was effective because they allowed him to speak; resistance in the Soviet Union was squelched at the source, and no one else knows how much someone resisted in the cellars of the Lubiyanka before he was shot.) But if half of the population declined to pay, it would surely break the system. There wouldn't be enough enforcers to keep the system going, and it would break down.

Some libertarians believe that everyone should be a tax rebel, refusing to file any return whatever. Others believe that everyone should at least agitate regularly on IRS premises and make his opposition known. The matter is not that simple, however. What techniques should be used to combat the IRS depends on one's particular circumstances. Consider an analogous case: should a young adult male in France during World War II join the resistance movement? If he has a wife and family to support, surely this makes a difference—they depend on him, and he may never return. On the other hand, if no one actively resists the tyranny, there will be no release from it. *Somebody* has to do it; in fact a great many people have to join together to do it, or it will not get done. But "Therefore *you* should do it" doesn't follow. In the case of the IRS, a great deal depends on the assessment of what you can get by with, on whether you believe that all use made of the money is evil, and on how much punishment you are prepared to take if apprehended.

At the moment there are said to be about 5 million people in the United States who are legally obliged to file income tax returns but don't. Many of them are small fry (from the government's point of view) who aren't worth being swept into the net. But sporadically some are found and dealt with harshly. Moreover, when the government spends as it does today, and shows every indication of spending more with every passing year, it will be determined to get its loot one way or the other; so if many people don't pay, and it isn't worth the trouble and expense to track down everyone, they will raise the rates and make the rest of us pay more.

Thus, even a considerable amount of protest and failure to pay will not be likely to result in the destruction of the system, but rather in the destruction of the individuals who won't comply. Any one individual should not be optimistic about his solo contribution to the cause. At the same time, if nobody makes the sacrifice of being fined or imprisoned and perhaps becoming a martyr, the IRS is unlikely to be made to bite the dust. (I say unlikely, not impossible: it is possible that even without martyrs, with only public indignation at increasing tax burdens and high-handed enforcement methods, voters will bring down the IRS themselves by voting out of office any congressman who supports it—at the moment, a wildly optimistic supposition.) The variation in circumstances from case to case, plus the uncertainty of outcome of each alternative course of action, renders extremely difficult the decision as to what to do in an individual case.

It seems inevitable that in the initial stages of a libertarian presidency, many compromises will have to be made.

INTERIM STRATEGIES

The most important, and certainly the most disputed, of the tactical questions dividing libertarians is this: In getting from here to there, what strategies should be adopted during the transition period? Some examples will illustrate how troublesome this question can become.

Libertarians believe in private charity but not in tax-supported welfare. But many of those now on welfare have been put into that position through no fault of their own, through the actions of government—for example, in increasing taxes that bankrupt businesses and thus create unemployment, in expanding the money supply (inflation), in endless regulations, in subsidizing one business and thereby making it harder for others to survive, and in thousands of other ways interfering with the free market. If all welfare benefits were cut off suddenly tomorrow morning, before the benefits of an unfettered economy gave employment to those now on welfare, the results would be catastrophic. There would be a great deal of suffering, even starvation, rioting and looting, the burning and sacking of cities.

Nevertheless, some libertarians say, "Would you initiate the use of force (via taxation) for even one day in order to keep this suffering from occurring?" In reply, some would say it is immoral to extract one penny of further taxation from anyone for any reason: in effect, "*no* interim period." There is a certain youthful idealism in this reply, as well as hot-headedness; one can sympathize with it while not agreeing with it. For one must proceed in the context of the situation; one can't just act as if the past mistakes were not made or as if one could wipe them all out with a stroke of the pen. My own suggestion is that the first step would not involve changing welfare payments at all (other than to eliminate cheaters and those who could find work but won't). It would begin at the other end by creating employment, and this of course would be done by taking the brakes off the economy—introducing laissez faire, stopping "business welfare" in the form of subsidies, protection, etc., etc., but also lifting restrictions on business activity. Once economic freedom was permitted at last to flourish, gradually the problem of welfare would take care of itself. It would be evident after a time of laissez faire that the small amount of poverty remaining (the ill, the aged, etc.) could more easily and efficiently be handled through private contributions. You wouldn't begin with the *effect* (poverty) but with the *cause* (failure to permit the free market to operate).

Or consider social security. Millions of people have paid into it for many years. Many of them knew or suspected what a fraud it would turn out to be but were forced against their will to pay into it if they expected to hold

jobs. The people now "contributing" expect to receive benefits in their years of retirement, which presupposes the power to tax the next generation, for where else is the promised money to come from? When libertarians abolish taxation, including the social security tax, what happens to the people who have been paying into the system for all these years? Shall we say "Sorry, you'd better trust somebody else next time?" Are they not at least entitled to get back what they were forced to put in (plus a bonus for inflation)?

Certainly social security as a *compulsory* system should be abolished tomorrow morning. That part is easy, but it does not solve the problem of what should be done in the case of the people who have *already* paid money into the system and can't receive it back unless others are taxed. Often when one harm has been committed or loss sustained, no way to neutralize the harm or right the wrong is possible without the occurrence of further harm or loss. If this is not obvious in the case of social security, what of benefits to veterans? Is this contract suddenly to be revoked? To argue that the wars they fought in were unjustified, etc. is nothing to the purpose: the fact is that they did fight and they were killed or wounded, and the government undertook a contractual obligation to pay them some restitution.

Even a considerable amount of protest and failure to pay taxes will be likely to result in the destruction not of the system, but of the individuals who don't comply.

Sometimes two pieces of coercive legislation are interlocked so that it is questionable whether one of them should be eliminated until the other is also. In some states it is not mandatory for motocycle drivers to wear helmets for their own protection. But if they have head injuries, as often happens, many of them are sustained for years or for life in hospitals at taxpayers' expense. Accordingly (it could be argued), shouldn't the law require the wearing of helmets in order to decrease taxes for the rest of us? As long as state welfare and disability payments are on the books and paid for out of general taxation, it would seem desirable to require the cyclist to take such safety measures, not to force him to protect himself, but to keep him from being a burden to those not involved in his choices.

Is it proper to destroy draft files? (The issue is not a live one just now, but could become active again at any time.) It performs one good: it keeps those men whose files are destroyed from being drafted, or at least delays it until new files are prepared. But of course, destroying files doesn't eliminate the draft, or even help to; it only *redistributes* the supply of draftees, causing more men to be drafted from other parts of the region.

Libertarians do not believe in public schools. At present these provide an extremely low quality of education. Assuming that an infusion of more money would improve their quality (which is dubious), should one vote for higher taxes to support public schools, seeing that most parents are financially unable to send their children to private ones? Most libertarians would say no, because this would only make the system of public education more entrenched; still, there is the interim problem of getting a decent education now for children whose parents (thanks to government taxes and inflation) can't afford to send them to private schools.

Most libertarians would applaud the recent court ruling (subsequently struck down by the Supreme Court) that cars near the Mexican border may not be stopped and searched by police just because they contain people with Spanish faces. We don't want people hassled just because they are coming from across the border. But now consider: most of the Mexicans thus entering are illegal aliens who can find no jobs in the States and end up on public relief, which is paid for heavily by the citizens of the counties adjacent to Mexico. In some counties the welfare rolls have been doubled as a result. Until the welfare laws are repealed, isn't it justifiable, one might ask, to take measures against this happening? Like so many changes, the two seem to be interlocked.

As Robert Nozick writes in *Anarchy, State, and Utopia,* "Although to introduce socialism as the punishment for our sins would be to go too far, past injustices might be so great as to make necessary in the short run a more extensive state in order to rectify them" (p. 231). This is the major point of dispute among libertarians.

Of all issues, national defense is the most troublesome, from the point of view not only of libertarian principles (which I cannot discuss here) but of libertarian strategy. Wars, threats of wars, and even sharp rises in military expenditures increase every citizen's tax burden and give more power to the State, power which is seldom withdrawn after the emergency is over. There is every reason for being suspicious about boosting the power of the military. At the same time, foreign threats to a nation's security do sometimes occur, and if they are not met with a strong military stance, invasion and conquest could be the result. Sometimes it is necessary to increase a nation's military power, even at the price of higher taxes and more powerful centralized government, in order to protect the people and enable them to survive at all to enjoy more freedom later. To increase national defense is always a risk; but there may be times (and in my opinion 1977 is one of them) when there is far greater risk in not having the defense.

There is every reason to be suspicious about boosting the power of the military, but at the same time, foreign threats to a nation's security do sometimes occur.

PRIORITIES

It seems inevitable, then, especially in the initial stages of a libertarian presidency, that many compromises will have to be made. Not all changes for the better can occur at once, and then one must decide which is more important and which has the greatest chance of passing. If measure A is top priority and measure B is secondary, then in order to push A through the Congress it may be necessary (and justifiable) to table B. Some libertarians would scream "Compromise!" at this, and a libertarian president who ensured A by sacrificing B would be flayed alive by some of his own erstwhile supporters. But at least by tabling B the more important A would be attained, and without it we would get neither.

Suppose that A is the restoration of a laissez faire economy and B is a desirable tax reduction; and suppose that, in spite of reduced current expenses resulting from trimming the bureaucracy, the tax rate during the current year can't be reduced without incurring more debt or inflation (because of veterans' benefits, or reduction of the national debt, or whatever). *If* we could be sure that A would be achieved even though B would be tabled, it would seem wise to do so; at least we would be getting something instead of (as now) nothing.

Unless you are in the very seat of power, how are you going to dismantle it?

But not everyone, not even every libertarian, will agree on priorities. Some will say that a return to economic sanity, important as it is, is less important than civil rights, victimless crimes, and penal reform, particularly since some progress is being made in these latter fields and victories are easier to achieve. Then those in political office will have to thrash out which priorities are most important and which have the greatest chance of successful implementation. My own view is that while the entire area of civil rights is tremendously important, the economy at the moment is "top priority." It is this more than anything else that will determine the future of our nation. We are now headed toward "galloping socialism" in the form of higher inflation, loss of savings and incentive to save, worthlessness of the currency, followed by price controls and shortages, followed in turn by hunger riots, civil disorder, and a "strong man" fascist-type government to "restore law and order." To short-circuit that dismal scenario, what is needed is *at least* the following: drastic cuts in federal spending, the elimination of inflation, the restoration of sound currency, and the lifting of controls on enterprise, after which business confidence would follow, then business expansion, resulting in greater employment, etc. If the trend toward omnipotent government continues, the isolated victories in the realm of civil liberties will be short-lived in any case; another Huey Long would make short shrift of them in the name of "national emergency" when he achieved power. And that is why the achievement of a laissez faire economy is the most important single goal to work for at the present moment: without it, any other gains will be temporary anyway.

This, I think, is the main thing we must concentrate on *now* in order to get from here to there. If we don't, our politicians will have spent us into such a fix that the goal of laissez faire will be unattainable in our time in our republic; we shall have reached the point of no return. And then in response to the question "How do we get from here to there?" we shall have to reply, "Sorry, brother—there ain't no way to get there any more." ◻

If all welfare benefits were cut off suddenly, the results would be catastrophic.

The Libertarian Party's first presidential candidate in 1972, John Hospers, teaches philosophy at the University of Southern California. He is the author of Libertarianism, *among other books, and a frequent contributor to REASON.*

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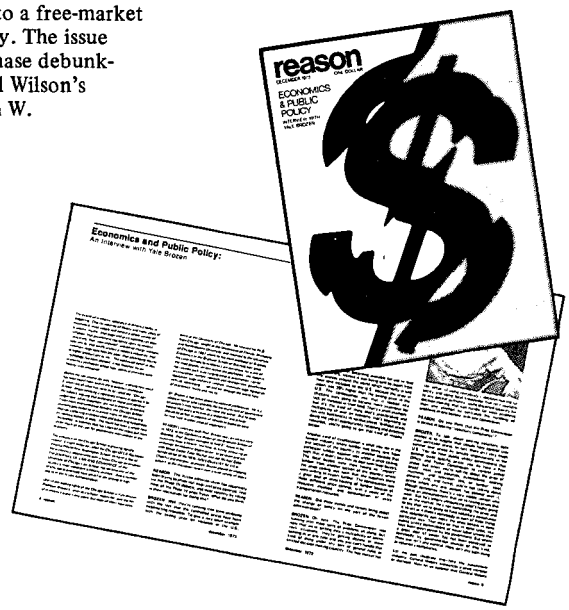

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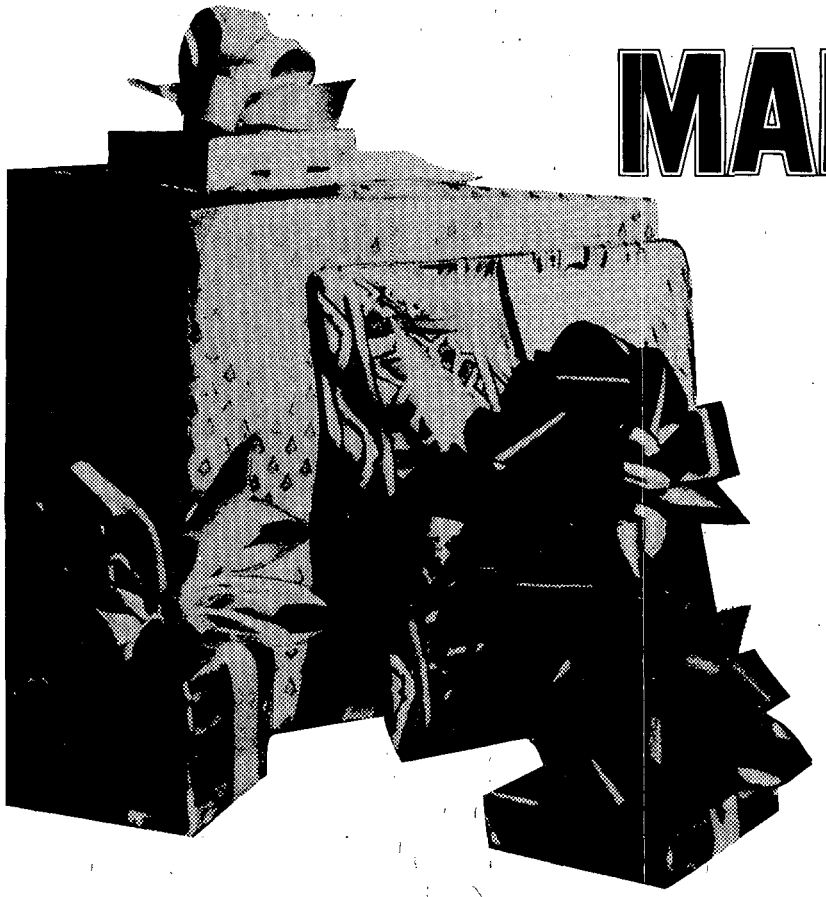

MARKETING LIBERTARIANISM

LIBERTARIANISM

LIBERTARIANISM

Moshe Kroy

A paradox most libertarians (if not all) are acutely aware of is the gap between the self-evidence of libertarianism, on the one hand, and the difficulty of communicating it to nonlibertarians on the other hand. The fact that people have the rights to life, liberty, and property seems to be as self-evident as the fact that 2+2=4. The fact that the free market is the only economic-political system which makes human existence possible—as *human* existence—seems to be very easily demonstrable.

Yet how many persons whom you have tried to win over have actually become libertarians? Now, this paradox may drive (and it has driven) many libertarians to despair. The world seems to be too crazy, to be beyond the "fail-safe" point of trying to save. Let's give up.

This approach, however, is mistaken. It derives from a failure to comprehend some simple facts—which are all, surprisingly enough, facts a libertarian (of all people) should know.

1. Libertarianism is an idea. And ideas are products, to be sold on the market. This implies, basically, that to turn another person into a libertarian you have to sell him the idea. And selling involves salesmanship.
2. To sell a product, you must wrap it in an attractive package. If you try to communicate an idea in a form which contradicts the basic convictions of your client, you will fail. Thus, if you explain to a Catholic that libertarianism is based on the virtue of selfishness, or to a communist that libertarianism is for pure capitalism, you will fail. The *words* you use will turn them off, and they will never consider the idea. This, in turn, implies the following principle.
3. To sell libertarianism, you must sell it under a formula which corresponds to the basic convictions of the guy to whom you sell it. In effect, to try to change his basic convictions, to try to make a Catholic accept Rand's thought first and then libertarianism as a byproduct, is utter folly. You may either fail immediately or succeed after eight years of hard work. So you have produced one more libertarian in eight years. . .

Now, my purpose here is to provide some concrete examples and applications of these principles. This article may seem somewhat cynical and opportunistic—but if you read it closely you will see that it involves no falsity or deception. The point is that you can use tricks—and you'd better, if you really want libertarianism to have a fighting chance.

Libertarianism for decent folk. A decent, hard-working, never-thinking bloke will not buy "individual rights"—he does not understand what you are talking about. It is quite too late to send him to a Montessori kindergarten to develop his conceptual faculty. Instead, what you can do is to explain to him that libertarianism is just against one thing: CRIME. By crime you mean just what he means: theft, robbery, kidnapping, enslavement. He will of course agree, because he thinks this is obvious. Then you just explain (at great length, and with many examples) that taxation is armed robbery, that inflation through deficit spending and money printing is theft—as well as forgery of money—that draft is basically kidnapping, etc.

You know the line. The point is one of *equity*: If you are not allowed to do any of these, why should a group of people called the government be allowed to do them? Clearly, he will object that the government is a totally different thing. But he must resort to explaining that the government is, basically, against crime, and then he has a paradox on his hands—and a paradox which he can understand.

Libertarianism for romantic souls. A romantic soul is not interested much in economics or in politics, but he has great admiration for greatness. (That is

why many Randists are ex-romantic-souls). He is all for the good, wise, great, smart hero, for the genius, against mediocrity. For him, libertarianism would make sense simply as the context where greatness would not be persecuted, hampered, restrained, destroyed. So that is the only point on which you sell libertarianism to him.

Libertarianism for justice and freedom fighters. You will find this individual in the left radical movement, fighting for what he was told is freedom and against what he was told is slavery. So assure him that you are just against one thing: enslavement. Assure him that you are just for one thing: social justice. Having this agreement, start to communicate to him the true meaning of slavery—and why taxation, controls, draft, are slavery. (Start with draft, because he is already against that.)

Libertarianism for hippies. The hippie has the right to take marijuana, walk naked on the beach, and have his own sex without anybody interfering,

If you try to communicate libertarianism in a form which contradicts the basic convictions of your client, you will fail.

hasn't he? Isn't that just what libertarianism is all about? Libertarianism was created to free him from the oppression of a conformist, square society, imposed on him at the point of a gun.

Libertarianism for communists. The communist believes that the proper, natural thing for men to do is to live in communes, where each gives according to his ability and gets according to his own need. Isn't he entitled to a society where he can create such a community and live in it with other same-minded individuals? Why should he be persecuted as a subversive? Why should he be connected with the bloodshed in Russia and the like? After all, he is humanitarian, isn't he? He wants everybody to become a communist freely, not to be forced into a communist society. And he also believes communism could really work, were it given the chance. Well, in a free society it would have all the chance it needs.

Libertarianism for religious folk. Well, isn't it horrible how the government, infiltrated by communists, imposes atheism and materialism throughout? Isn't one entitled to live in a society where he is not forced to hear atheistic broadcasts from government-monopolized or -controlled TV?

Also: What about charity? How can he give to charity in the way he considers fit, namely, to his own church, if he is taxed so much? And why is his money used to support atheism in state schools? Also, didn't God, when he created Adam and Eve, grant man freedom?

Libertarianism for ecologists. Isn't it horrible how the whole atmosphere of the planet is being destroyed by pollution? And the land is being destroyed? And all is due to governments, you know. If any piece of land would be the private property of somebody, he would take care of it, and he would be entitled, by law, to defend himself against any bloody capitalist who pollutes his air and land.

Libertarianism for wishy-washy tolerant guys. Anybody is entitled to his point of view, isn't he? Isn't it bloody wrong that one guy thinks he is so right as to enforce his opinions and values on another? Wouldn't it be better if we would have a society where each man lives by his own creed and no man has the power to enforce his values on another? Isn't that what libertarianism is all about?

Libertarianism is a correct political philosophy. Truth is distinguished in its ability to solve all relevant problems. Every point of view is based on recognition of some real problem and grasp of some truth. It involves, usually, many falsifications of facts.

The point, however, is that you can make an individual a libertarian on the basis, almost, of whatever point of view he possesses—if you communicate the idea to him in his own frame of reference, based on his own fundamental convictions, in his own terms and words. Libertarianism, you should remember, is a political philosophy, not an existential one. One can be libertarian for many (and mutually incompatible) reasons. Your problem, as a libertarian, is to create a libertarian society. To do that, you need many, many new libertarians. Their other convictions, whatever they are, are none of your business. They concern you only insofar as you use them—as the basis for your sale of libertarianism. ◻

Moshe Kroy teaches philosophy at LaTrobe University in Australia. He is the author of Conscience *and* Moral Competence.

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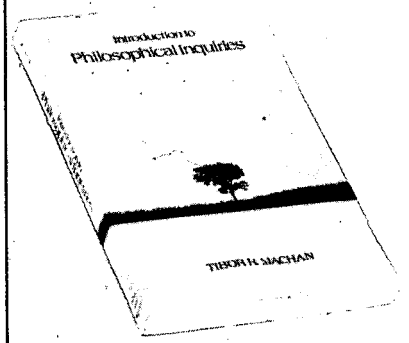

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LEGGETT: 19TH CENTURY LIBERTARIAN

Steven K. Beckner

The present system of our legislation seems founded on the total incapacity of mankind to take care of themselves or to exist without legislative enactment. Individual property must be maintained by invasions of personal rights and the "general welfare" secured by monopolies and exclusive privileges.

A campaign remark by Roger MacBride? A pungent commentary on Congress by Murray Rothbard? Or the frustrated indignation of a small businessman beset by OSHA and a dozen other government agencies?

None of the above. The observation was made March 11, 1835, by William Leggett in one of the innumerable editorials this 19th-century journalist wrote during an all too short career.

Some 140 years before the current crop of libertarians burst on the scene, Leggett was giving strident voice to a thorough-going belief in the principles we've come to associate with moderns such as Rand and Rothbard. It would be difficult to find a more consistent, cogent, or energetic advocate of liberty in American history. He attacked every conceivable type of government intervention in economic and social life. And contrary to popular opinion of the pre-Civil War era, there are few interventions today that were not already being practiced in some form back then

Leggett was calling for laissez-faire in an age when government was being used in favor of business more often than against it. Though he was meticulously even-handed in his application of free-market principles, he was regarded by contemporaries, as he is now by most historians, to be in the labor camp. And in fact Leggett was the guru and spokesman for the New York-based Equal Rights or Locofoco party—a radical working-class spinoff from the Democratic Party. Created in 1835 as the earliest significant American labor movement, the Locofocos were probably more free-market oriented than the business community of that era.

Born in New York City in 1801, a son of Abraham Leggett—an officer during the Revolution—Leggett lived as a pioneer in Illinois for a time before taking a commission in the Navy in 1822. His naval career was cut short in 1825, when he was court-martialed for dueling with a fellow midshipman. As explained in the entry for Leggett in the *Dictionary of American Biography,* "His faults were chiefly hot temper and a witty, unruly tongue." For example, one of the charges against Leggett at his court martial was that the erstwhile young poet had quoted passages of Shakespeare "of highly inflammatory, rancorous and threatening import" against his captain.

But such faults were to serve Leggett well in his chosen profession. His came to be known as one of the most venomously articulate pens in the infant American newspaper world. Mencken and Pegler—and occasionally von Hoffman—are his only modern rivals at the art of ruthless, cynical commentary. After his military discharge, Leggett took up residence in New York City, where he devoted the remaining years before his untimely death in 1839 to intrepid political economic writing that enthralled some, scandalized others. He had no sacred cows. He attacked the Bank of the United States, and when Andrew Jackson destroyed that he attacked state banks. In analytical exposés that would make any Austrian economist proud, he called for an end to fractional-reserve banking and a return to gold and silver. He railed against government grants of monopoly, against

tariffs, against government censorship, and against slavery.

The quotes used in this article are taken from *The Collected Works of William Leggett,* published in 1840, edited by his friend Theodore Sedgewick. It is regarded as the first American effort to honor the writings of a journalist.

After modest success as a poet, Leggett began writing for the New York *Mirror* and for his own short-lived weekly, *The Critic.* But his real fame and influence began when he became assistant editor and part owner with William Cullen Bryant of the New York *Evening Post.* During one period, June 1834 to October 1835, Leggett served as chief editor of the *Evening Post* while Bryant was in Europe. In Bryant's biography it is noted that when the great poet and editor returned from Europe he found "the journal without an editor, its business manager just dead, and its circulation, advertising revenue and influence disastrously injured by the ill-temper and lack of judgment with which Leggett has asserted a Locofoco Democracy, attacked monopoly and inflation and harried the Whigs." Leggett, whose ill health had prompted Bryant's return to America, was severed from the *Evening Post.* Even though Bryant made that paper one of the nation's strongest voices of Democratic, antimonopoly, sound-money, free-trade opinion, Leggett apparently found it too tame.

Leggett called for laissez-faire in an age when government was used in favor of business more often than against it.

He now became editor of the *Plaindealer,* where he poured forth his increasingly anarchistic and abolitionist sentiment until that publication folded in September 1837. Simultaneously he found time to edit another daily, the *Examiner.* "How he finds time to write so much, I know not," Bryant is said to have remarked.

The 1830's were stormy years. America had developed its own peculiar form of aristocracy, the focal point of which was the small banking community. President Jackson succeeded in destroying the second incarnation of Federal central banking, and he distributed the government's deposits among some 80 "pet banks." In that day bank charters, like all corporate charters, were grants of privilege from state legislatures. These charters, conveying the right to print money to a selected few politically powerful institutions, were paid for in hard cash: "that peculiar species of argument with legislators . . . which, with very many men, constitutes the main ground of their desire to get into the legislature."

In an attack on the use of special legislation for special interests, published in the November 21, 1834, *Evening Post,* Leggett summarized the libertarian philosophy very aptly.

> Governments have no right to interfere with the pursuits of individuals . . . by offering encouragements and granting privileges to any particular class of industry, or any select bodies of men, inasmuch as all classes of industry and all men are equally important to the general welfare, and equally entitled to protection . . . . Whenever a Government assumes the power of discriminating between the different classes of the community, it becomes, in effect, the arbiter of their prosperity . . . . It then becomes the great regulator of the profits of every species of industry, and reduces men from a dependence on their own exertions, to a dependence on the caprices of their Government.

For Leggett, the bottom line in judging the actions of government was the effect they would have on labor—a considerably broader category in early 19th-century parlance. The disenfranchised worker of that day, who was forbidden to organize to bargain collectively, was hit heavily by tariff walls that drove up prices and by fraudulent or exclusionary banking practices. And more ambitious citizens were preempted from many fields of entrepreneurship through the systematic denial of the benefits of incorporation to all but a few with political pull. Leggett, during the brief period of his writing, saw through the sophistry of arguments against free trade and sound money, and he gave the general citizenry the big picture on how the nascent U.S. corporate state was harming them.

Leggett's favorite targets were bank corporations, which he attacked as particularly evil cases of the legislative special-charter racket. While advocating the passage of a general law for joint-stock partnerships, he withheld his endorsement of general incorporation of banks until the advent of sound banking principles. In this respect, Leggett was a real precursor of the Austrian, Rothbardian position on money and banking—namely, that fractional reserve banking is both inflationary and fradulent.

Beginning at least as early as 1814, states had allowed banks to break confidence with their depositors and default on their obligations by "suspending specie payments"—that is, refusing to redeem their banknotes in gold or silver. This enabled banks to create deposits at will by issuing more notes ("warehouse receipts" for specie) than they had gold or silver to back, thus creating windfall earnings on fictitious paper.

Leggett wrote prodigiously and contemptuously about this "fractional reserve banking," as it would come to be called. In a December 1834 editorial titled "The Monopoly Banking System," he identified the true nature and motive of this practice.

> No set of men would desire a bank charter merely to authorize them to lend their money capital at the common rate of interest; for they would have no difficulty doing that without a charter, and without incurring the heavy expense incident to banking business. The object of a bank charter is to enable those holding it to lend their credit at interest, and to lend their credit too, to twice and sometimes three times the amount of their actual capital.

Leggett attacked the Bank of the United States, and when Andrew Jackson destroyed that he attacked state banks.

In the state of New York, as elsewhere, the banking system had become particularly enmeshed with the political authorities because of the state's need of a liberal credit machine to finance ambitious internal improvements like the Erie Canal. A state-sponsored cartel of banks had been created by the Democratic political machine (the Albany Regency). It was bolstered by a mutual insurance scheme known as the Safety Fund, which sought to protect all banks from the consequences of their own inflationary deposit and note creation.

Commenting on this tightly held bank cartel, Leggett wrote in the December 1834 *Evening Post:*

> The people of this state fondly imagine that they govern themselves; but they do not! They are led about by the unseen but strong bands of chartered companies. They are fastened down by the minute but effectual fetters of banking institutions. They are governed by bank directors, bank stockholders, and bank minions. They are under the influence of bank monopolies, with a host of associate and subordinate agents, the other incorporated companies depending on bank assistance for their means of operation. These evil influences are scattered throughout our community in every quarter of the state. They give the tone to our meetings; they name our candidates for the legislature; they secure their reelection; they control them when elected.

While longing for the abolition of restricted banking, Leggett qualified his support of "free banking." Writing on behalf of his libertarian labor constituency, he explained:

> We would not have banking thrown open to the whole community until the legislature had first taken measures to withdraw our paper circulation. As soon as society should be entirely freed, by these measures, from the habit of taking bank notes as money, we would urge the repeal of the restraining law, and place banking on as broad a basis as any other business whatever.

Critics of free banking in the 19th century have charged that general incorporation, lack of regulation, and lack of central bank direction between 1832 and 1865 led to the chaos of "wildcat banking." The truth is that the "wildcat" or so-called free banking of that period was as much a mockery of the free market as was monopoly banking. The wildcat banks prospered by issuing large quantities of worthless banknotes and making it very difficult for the unlucky recipients to redeem them. Such fraud flourished under the benign neglect and often outright support of state and local governments, which sometimes used these fly-by-night institutions as convenient sources of support for their internal improvement bonds. Leggett inveighed against both abuses.

If anyone thinks that inflation is strictly a modern problem in America, consider that in the period of Leggett's greatest journalistic output (1834-37), money supply per capita (including only coins and banknotes in circulation) rose from $8.64 to $13.87 (according to the *Annual Report of the Comptroller of the Currency,* Dec. 4, 1916, vol. 2, p. 44). Most of the increase in banknotes was unbacked by real capital, and much of the capital was mere bonded debt of government. Many of the internal-improvements securities on which the pyramid of credit was founded would eventually be defaulted on by state and local governments.

On May 10, 1837, shortly after the Federal government had actually begun distributing a $37 million surplus among the states in a 19th-century form of revenue sharing, the inflationary bubble burst. All the banks in New York suspended specie payments, an action validated by the state for one year. Other states followed suit. Leggett, capsulizing the laissez faire philosophy of the radical Democrats and explaining cause and effect, had this to say in a *Plaindealer* editorial:

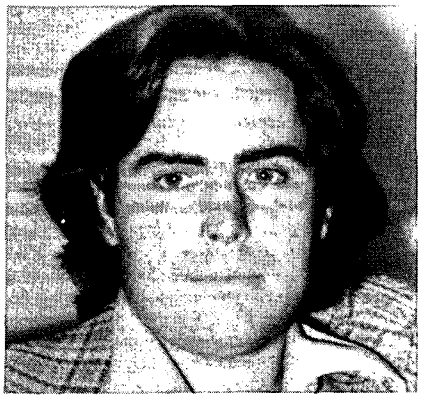
> Banking is a good thing enough in its intrinsic nature; but government should have no connection with it, and should recognize nothing as money but silver and gold . . . . We are not an enemy to a paper representative of money, any more than we are to confidence between man and man in any other shape it may naturally assume, for mutual convenience in the transaction of necessary dealings . . . . We are not an enemy to banking . . . . We are an enemy only to a mixture of politics with banking; to the vain attempts to regulate the channels in which trade shall run; to that legislative intermeddling which withdraws credit from the harmonious operation of its own laws, disturbs its equal flow, and leaves the community to be at one time deluged with a cataclysm of paper money and at another exposed to all the horrors of financial drought.

To Leggett, the Panic of 1837 was caused "by the inevitable operation of monopoly legislation . . . the wretched charlatanry, which seeks to prop up an artificial system of credit with special statutes, and hedge it round with penalties and prohibitions." It also demonstrated "the consequences of that folly which would substitute the laws of man for those of nature, and wholly change the irreversible order of causes and effects." But would the public or the politicians learn any lessons from this latest denouement of the boom-bust cycle? "What can legislation do?" demanded Leggett. "Insult the community, by confirming the special privileges of money changers, after their own acts have declared their utter worthlessness? Enable a band of paper money depredators to prey more voraciously than before on the vitals of the people? Authorize them to pour out a fresh torrent of their promises? Will the community tolerate such an enormous fraud?"

"Let the banks perish," said Leggett. "Now is the time for the complete emancipation of trade from legislative thraldom. If this propitious moment is suffered to pass by unimproved, the fetter, now riven almost asunder, will be riveted anew, and hold us in slavery forever."

As anyone who now endures the vicissitudes of the Federal Reserve's monetary "targets" and the threats of the IRS and the FBI to the privacy of bank accounts knows, history has not taken Leggett's advice.

William Leggett—a creature, a phenomenon, of the 1830's—did not live beyond the end of that colorful decade. In 1838, he nearly succeeded in winning a Democratic nomination to Congress but was rejected as too radical on the basis of his antislavery convictions. In 1839, President Van Buren appointed him diplomatic agent to Guatemala, his friends hoping the climate would save his health. He died before sailing. He was buried in a New Rochelle cemetery, where, ironically, the Tammany Young Men's General Committee erected a monument over his grave. The fact that Leggett had had running battles with the Tammany Hall administration throughout his career is testament to the esteem in which this libertarian man of principle and integrity was held. ◻



Steve Beckner is editor of Deaknews, *a financial newsletter published by Deak & Co. He is a graduate of Duke University, where he majored in history and economics. His articles have appeared in such publications as* Human Events, Boardroom Reports, *and the* Congressional Record.

A NEW DAWN FOR AMERICA?

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- By Voluntarily complying with our slavemaster?
- By Claiming to be a Constant Objectivist but the consistency ends when consistent action is called for?
- By Advocating Ayn Rand in rhetoric only?
- By Fear — That we cower in our lack of manhood?

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FOREIGN CORRESPONDENT

PSEUDO-PROGRESS

Auckland, New Zealand. At the general election of November 1975, the New Zealand National Party, led by Mr. Rob Muldoon, devastated the sitting Labour government. In one of the biggest electoral swings in the country's history, Labour's 12-seat majority in the 87-seat parliament was turned into a minority of 15. Unfortunately, this did not portend a change in the principles of government, but merely a change in its style. For anyone who loved his freedom, however, if the past performances of the parties were anything to go by, National was infinitely preferable to Labour.

Although both parties are deeply rooted in the welfare state—and New Zealand has been a welfare state for more than 40 years now—the National Party is generally considered to be "conservative" or "right wing." This is because in the past they have shown a far greater reluctance to interfere with the functions of the market or to open up new areas of welfare spending than has the Labour Party. True to their reputation of being conservative, the National Party has generally stood for the preservation of the status quo although when public expectations have made it expedient for them to extend the dominion of the state, they have always been prepared to do so.

The Labour Party, on the other hand, has always been much more radically socialist. Continually bombarding the electorate with new welfare programs, they put permanent pressure on the National Party to come up with programs of their own. Many people seem to have the odd idea that by voting for National's more moderate welfare policies they can have the (supposed) benefits of socialism—such as state hospitals, state education, old age pensions and so on—without actually having socialism.

The superannuation [retirement] scheme is a classic example. Midway through their three year term of office the Labour Party introduced compulsory superannuation. Under this scheme all wage and salary earners had to pay one percent of their income into a special fund while employers had to make a matching contribution on behalf of their employees. So that the money would not just sit around devaluing, the government said that they would do what the insurance companies did: they would invest it and make a handsome profit for the contributors. What they did not mention was that within about 10 years there would be enough money in the fund to buy up all the industry in the country.

The National Party took the opportunity to launch a two-pronged attack. On the one hand they came up with a simpler, more efficient scheme of their own which was actually just an extension of the existing system of old age pensions. On the other hand they were able to cry "communist" at the purchase-of-industry clause in the Labour Party's scheme. This meant that they were able to lure the voters by dangling a golden carrot in front of them while whipping them with the fear of communism from behind.

But in general, the Labour Party defeated themselves. In violation of their 1972 election pledge they refused visas to a South African football team while taxes rose by 87 percent in three years. Like most socialists they did not understand money and tried to govern on the never-never. They borrowed heavily overseas while spending recklessly at home, creating record deficits both external and internal. With export markets severely threatened by Britain's entry into the E.E.C., double-digit inflation, and high levels of unemployment throughout most of the Western world, the fear of recession over-shadowed the election.

People were looking for strong, competent leadership, capable of implementing sound economic policies while protecting them from both the growth of government and the ravages of the trade unions. Along came Rob Muldoon and the National Party. Mr. Muldoon artfully created the impression that he was more than capable of salvaging the economy while actually not specifying an economic policy at all. The National Party hit all the right issues. They were going to save the economy, end compulsory unionism, abolish the Labour Party's superannuation scheme, let people play sport with whomsoever they pleased, and "review" death duties. They were the grim saviours of the economy, prepared to implement any necessary austerity measures. At the same time they were the champions of freedom, tossing around terms like such as "private enterprise" and "individual rights" with reckless abandon. National's was probably the most skillfully managed election campaign in the country's history while Labour's was probably the worst.

If it had not been apparent before the election just what type of government the National Party would be, they did not take long to make it obvious afterwards. The trend toward executive government—an inevitable consequence of a mixed economy—was going to continue. Soon after taking office the new government announced that because the Superannuation Act was going to be repealed, payments into the fund would no longer be mandatory. This was blatantly illegal as the Act was still in force. When someone tried to bring a private prosecution against a company that had stopped making the payments, the Attorney General, Mr. Wilkinson, rather than allow the matter to be decided in a Court of Law, used his discretionary powers to block the prosecution. What the Prime Minister should have done was to call Parliament together and have the Act repealed. In fact, Parliament was not convened until June 1976, after the National Party had taken office on the first of December 1975.

From the outset it was obvious that the government's power was going to be concentrated firmly in Mr. Muldoon's hands. When he appointed his cabinet he allocated the key portfolio of finance to himself. He appears, at least for the moment, to be keeping a tight rein on his parliamentary colleagues and has shown a disturbing tendency to make savage personal attacks on political opponents and critics of his policies. But it is common knowledge that some of the new National M.P.s are worried about Mr. Muldoon's attitude towards power, as are many long-standing rank and file members of the Party. An explosion within the National Party, sometime before the next election, is a distinct possibility.

One of the major election issues was the question of voluntary unionism. In New Zealand any worker not self-employed is legally bound to join a trade union. There is widespread public resentment towards these laws and the National Party decided to cash in on it. In the name of individual rights, they said, they would introduce voluntary unionism. This would consist of the Labour Department conducting a secret ballot within each union so that the members could decide whether or not their union was to be compulsory.

The Federation of Labour—the organization to which most unions are affiliated—was terrified when National won the election. They acted as if the end was nigh, which for them it probably will be if the government honors its election pledges. So far they have introduced a lot of repressive legislation, restricting strikes and other union activities, but no voluntary unionism.

One issue that Americans may be familiar with is the question of sporting contacts with South Africa. The government refused to prevent a rugby football team from touring South Africa, declaring, correctly, that the decision was the perogative of the players. This stand created a bitter controversy within New Zealand and caused a number of African and Carribean governments to boycott the Montreal Olympics as a protest. As a result of the boycott the government has been slowly changing its attitude. They are now saying that although they will not interfere, sporting bodies have a responsibility to "consider the consequences to New Zealand" of maintaining contacts with South Africa.

National's economic policies have shown that their high-sounding phrases about "private enterprise" and "individual rights" are just words, words, words. They have done nothing about the high taxation and tangle of regulations that are slowly destroying industry. Right now we are in the middle of a wage and price freeze.

Other moves effecting the economy include a highly controversial cut in Pacific Islands immigration and a confrontation with the oil companies. Mr. Muldoon announced a $3 per barrel levy on all oil produced in New Zealand. The oil companies threatened to halt exploration and the development of known fields. With New Zealand being heavily dependent on overseas capital, the government was forced to beat an ignominious retreat and the levy was dropped.

People are clearly disillusioned with both major parties and the next election will probably see minor parties and splinter groups capturing seats in the House. However, it will be a long time before the country elects a party for the task of dismantling the Welfare State.

Victor Filmer

VIEWPOINT

THE ART OF SCAPEGOATING

When a subject such as my present one needs treatment in a brief comment, lots of things cannot be said that would be needed to make points conclusively. This is the general problem of all kinds of writing, including punditry and editorialization.

But bringing matters to attention needn't always involve full-proof arguments. Just observe advertising. So the problem I wish to point out may just deserve attention, from which fruitful inquiry can begin.

I have heard so many scapegoat approaches to coping with current problems that it nearly makes me sick. The trend is evident enough when we view current political conduct and hear political commentary. An instance of it is evident in the rhetoric of some people friendly to the ideas of liberty. For example, many American conservatives are now jumping on the anti-union bandwagon long in the wings of conservative strategy. Most readers will know of the famous "right-to-work" efforts which such folks as Bill Buckley have supported for years. The idea has been that unions should not be permitted *by law* to write contracts with businesses which will restrict hiring to union members. "Union shop contract" is the name for this voluntary practice, although admittedly it is often less voluntary than one might suppose. (NLRB rulings help labor in many instances in such matters.)

No less severe a case of picking some legitimate group of people as the villains is the trust-bust effort exerted by governments and supported by many. The people John Chancellor uninhibitedly calls the "fat cats" have their share of blame in many doings, but they too are frequently picked as somehow inherently responsible for the ill state of affairs of the culture. Here some libertarians are giving the matter support by embracing certain left-wing "revisionist" doctrines which purport to identify corporations as most responsible for things that have gone wrong, especially in foreign affairs. The conservatives go after labor, the liberals after big business (unless labor is conservative and business liberal, respectively).

But there are many other examples. Intellectuals, the media, blacks, whites, males, females, the youth, the middle class, the foggy old folks who keep things uptight, and so on. Professional groups, racial groups, groups, groups and more groups—*they* did it, are doing it!

Well, I think this bears careful consideration. I am aware of those libertarians who hold bureaucrats responsible—their "self-interest" is what keeps the state growing! Yes, it is seriously advanced.

Now what kind of individualists are those who engage in such scapegoating? Where is the recognition of individual responsibility, where is the acknowledgment that being a laborer, corporate executive, property owner,

TIBOR R. MACHAN

black, woman, or whatever has nothing to do with whether what one does is right or wrong, except in some very unimportant sense, namely that one's success or failure as an individual will emerge partly in one's work or in how one makes one's inessential characteristics serve some purpose.

The fact is that when cultures are corrupt, lots of types of folks have made it so, not some one or two or five. It would make good sense, if the above is right, to abandon the scapegoating routine and attend to dealing

(continued on page 39)

BOOKS

DEFENDING THE UNDEFENDABLE. By Walter Block. New York: Fleet Press. 1976. 256 pp. $9.95.

Reviewed by Sharon Presley

Defending the Undefendable has sparked quite a bit of controversy within the libertarian movement—possibly even as much as the great minarchist-anarchist debate. The book has been warmly endorsed by Murray Rothbard, Harry Browne, Thomas Szasz, and even F. A. Hayek, yet strongly attacked in *Libertarian Review* and *Laissez Faire Review*. Though wide support exists for both positions, my previous negative evaluation in *Laissez Faire Review* elicited more favorable comments and mail than anything *LFR* has ever published. How can a book be so thoroughly detested by many and yet endorsed by such prestigious libertarians?

The polarization of opinions on Block's book should not be surprising. It is a reflection of the book's schizophrenic nature—a bizarre combination of both excellent and horrible elements. On a deeper level, the polarization is symptomatic of a fundamental division within the libertarian approach to social issues—what might be called the "economistic" and the "humanistic" approaches. Economism, whether libertarian or Marxist, insists on explaining all human action almost exclusively in terms of economics. Humanism takes a broader view and heavily weighs psychological and social factors in its analysis and recommendations for social change.

Apparently the endorsers chose to consider only the Dr. Jekyll side of *Defending the Undefendable* and either ignored or failed to take seriously Mr. Hyde. It *is* true that the political and economic analyses are generally libertarian. Block defends the right of deviant but nonaggressive individuals to engage in voluntary activities with no political restriction. The "undefendables" include, for example, pimps, prostitutes, slumlords, moneylenders, and scabs. Block's showing that these people are merely engaging in market exchange is valid and important. When we see that his "heroes" also include counterfeiters, blackmailers, and male chauvinist pigs, however, we begin to suspect that something peculiar is going on.

If Block had been content to stop with just a simple, straightforward presentation of the nonaggression principle and Austrian economic analysis, the book could have served a useful and much-needed function. The rights of "deviants" and "socially undesirable" people must be preserved and protected in a truly free society. But Block proceeds to destroy the potential value of his analysis by taking on a deliberately shocking tone that he apparently considers witty but comes across to many libertarians and nonlibertarians alike as smart-alecky and offensive.

The most obvious example of Block's sensationalistic style (as well as his lack of rigor) is his insistence on calling the subjects of his book "heroes." His definition, however, simply does not correspond with dictionary or common usage. He cites three criteria: the action must not violate the rights of others, it must provide a great benefit, and it must be performed at great risk. But the concept of hero, correctly understood, clearly implies the attainment of great values. To call someone a hero simply because he or she defies social convention is a blatantly unacceptable use of the word and sure to elicit justifiably hostile reactions.

Curiously enough, Block's use of the word is often inconsistent with his *own* definition. To suggest that the miser, inheritor of wealth, and the litterer, for example, undergo great risk is just plain silly. Of course, if the litterer is a member of the Sierra Club he would risk the approbation of his peers, but otherwise he is unlikely even to be reprimanded.

Because Block does bring in noneconomic factors, one wishes he didn't undercut the soundness of his political and economic analyses by supporting them with social and psychological assumptions that show a mind-boggling lack of understanding of human behavior in the real world. At best these assumptions are frivolous (the litterer risks great approbation) but often take on a much more callous and appalling tone (charity interferes with the survival of the species).

Block's analysis of pimps and prostitutes is a good illustration of how out of touch with social reality he is. He blithely asserts that "the prostitute obviously prefers her work, otherwise she would not continue it." Also, she "does not look upon the sale of sex as demeaning." There may be some "happy hookers," but the serious sociological and psychological literature shows that women are far more likely to become prostitutes out of financial and psychological desperation, rather than on the basis of rational career planning. As for pimps, Block's implication that the use of coercion among pimps is no more serious a problem than the occasional bank embezzler strikes me as truly bizarre, considering that Block lived in New York City for many years.

Another example of his unsupportable armchair analysis of social interaction is in his chapter on the "male chauvinist pig." Block argues that "secretary-pinching" is implicitly accepted in a package deal with the job. But to claim that every case of sexual aggression against women office workers is always implicitly accepted ahead of time is sheer fantasy! Perhaps he thinks that most people define "secretary" as one who types and who submits to pinches. There are no doubt some offices where such activities are known ahead of time, but in all my office experiences, I have known no women (and few men) who are aware of a *general* implicit contract, much less agree with it. And there can't be a contract, implicit or otherwise, if one of the parties has no knowledge of the contract.

Block also argues that because the male chauvinist pig resists coercive egalitarianism, he should be considered a hero. Can Block be serious? If so, why is there no chapter on the racist as hero?

The most muddled and appalling chapter is the one on charity. In the second part of the chapter, Block offers a valid argument against *public*—forced—charity. But he isn't satisfied with this; he has to muddy the waters by launching an attack in the first part of the chapter implying that *all* charity is bad. Since he never defines charity, it may not be clear to all that what he is primarily attacking is "welfare." (He seems to change implicit definitions in mid-chapter.) But this sets up a straw man; charity includes private voluntary organizations like the United Fund and Red Cross. He may not intend to condemn private charity (it is unclear), but his failure to exempt them explicitly will certainly be interpreted by many as condemnation. Libertarians have been struggling to convince nonlibertarians that in a free

society private charity would adequately replace public charity; we don't need a Walter Block coming along and saying charity is evil!

Worse yet are Block's *grounds* for attacking charity. He argues that "one of the great evils of charity" is that "it interferes with the survival of the species." (This is a repellent, inhumane, and oddly collectivist statement from a libertarian, one supposedly concerned with the good of *individuals*.) Anyway, charity does *not* interfere with the survival of the species; evolution works through the population group, not the individual. (So unless Block expects large sections of the populace eliminated, the "harmful traits" would survive.) Further, the "negative" traits that Block cites as examples—"allergy to smoke, excessive argumentativeness"—have no apparent connection with ability to survive, much less charity!

Even some of Block's economic arguments fall apart. He calls the counterfeiter a hero, claiming that, after all, paper money is already counterfeit. But the passing of counterfeit money *is* a fraud since people believe it to be genuine government issue (regardless of its actual economic worth). The real crime of the counterfeiter is not that he copies worthless government notes but that he passes on his own worthless notes to innocent victims. The counterfeiter *is* an aggressor, and Block's sophistry will not make it otherwise.

Left libertarians have often accused individualist libertarians of being interested only in "property, not people." It is writers like Block who give libertarianism this false image. This book is indeed symptomatic of the economistic approach that is all too prevalent among libertarians.

Block and the advocates of economism pride themselves on their rationality and logic, often dismissing noneconomic and nonpolitical concerns as irrelevant. "Humanism" smacks too much of "left deviationism." In fact, however, mechanistic reduction of complex human behavior to mere response to economic stimuli can be faulted on sophisticated logical and empirical grounds—just has been successfully done with economism's psychological analog, behaviorism.

Analyses like Block's not only ignore or distort noneconomic social and psychological considerations, and thus give a false picture of human behavior; they also misrepresent the views of a significant portion of the movement. Many libertarians believe that humane concerns and uncompromising libertarian principles are *not* mutually exclusive and cannot be artificially separated. Further, Block's mechanistic interpretation fails to do justice to the inherent nobility and dignity of libertarian ideals.

The insensitivity and frivolousness of Block's attitudes and assumptions serve to confuse and distract from the validity of his other points. These offensive attitudes will surely reinforce the worst stereotypes of advocates of capitalism. To fail to take this reaction into account is a serious and puzzling mistake on the part of the endorsers.

In balancing the good—valid economic and political analysis—and the bad—faulty logic, a mechanistic and insensitive view of human behavior, superficiality, shoddiness, and amorality—I have to conclude that the book will do more harm than good. It is a positive menace to the libertarian movement and dramatically demonstrates Rand's statement that the worst enemies of capitalism are its defenders. ◻

Sharon Presley is co-proprietor of Laissez-Faire Books in New York and editor of its Laissez Faire Review and Catalog. *A libertarian activist since 1964, she is National Coordinator of the Association of Libertarian Feminists.*

VIEWPOINT

(continued from page 37)

with human problems by going to basics, to what it is about the many folks who did wrong that could be changed peacefully, in such a way that no injustice is done. For scapegoating is unjust, it is the imputation of collective guilt, it is evading the requirement of proof where due process—*morally due*, that is—requires it.

I have not defended unions, corporations, blacks, etc. That would be silly—like defending the existence of labor, business, or my height. That is just the point worth reflecting on in connection with *attacking* the same sorts of elements of our culture. We are all in it and some are better, some worse, as human beings. That is the only thing that counts fundamentally. The rest are unfortunate, at times, malicious, diversions.

Tibor Machan teaches philosophy at SUNY-Fredonia. Dr. Machan's viewpoint appears in this column every third month.

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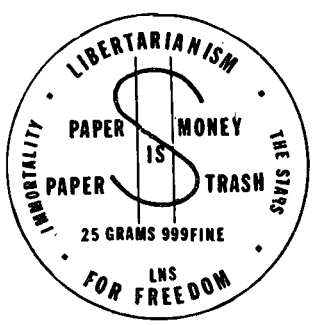

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MOVIES

• The new year is off to a promising start with an enjoyable comedy-drama, **SILVER STREAK.** The title refers to a fictional American version of the late lamented Orient Express, in this case a trainload of intrigue on the "Silver Streak" from Los Angeles to Chicago. Gene Wilder is in top form as a mild-mannered book publisher who boards the train for a few days of peace and quiet, only to become involved with the lovely Jill Clayburgh and a series of bizarre murders. Richard Pryor, who makes an unexpected entrance halfway through the movie, contributes to its lively pace as a jive-talking, small-time thief who knows all the angles. Ned Beatty gives solid support as a fellow passenger on a secret mission, and Patrick McGoohan is coolly menacing as the lead villain. The violence, while not excessive, is realistic enough to remind the audience that *Silver Streak* is a drama as well as a comedy; but for the most part, the two elements manage to avoid clashing with each other. Despite his mishaps (he keeps falling or being pushed off the train), Wilder emerges as a sympathetic and resourceful hero, and his on-board romance with Clayburgh is handled with wit, charm and style. Many of the comedy sequences are side-splitting, especially Pryor's attempt to disguise Wilder as a spaced-out black man. Colin Higgins' brisk screenplay is energetically directed by Arthur Hiller, and the movie's two-hour running time seems to go by much faster. Rated "PG."

— Charles F. Barr

• With *Obsession,* director Brian DePalma proved he could successfully imitate Alfred Hitchcock. Now, with **CARRIE,** he makes a strong bid to become Hitchcock's heir apparent. Although *Carrie* is somewhat more violent than the patented Hitchcock product (and definitely not for the squeamish), the film achieves its terrifying and shocking effects in the context of an integrated plot and three-dimensional characters. Sissy Spacek triumphs in the difficult role of Carrie White, a high school senior who is treated as an outsider by her classmates, and made the butt of cruel jokes. Piper Laurie, returning to films after a long absence, is effective as Carrie's demented mother, a Bible-thumping, anti-sex fanatic. The plot is concocted from three ingredients: Carrie's discovery that she has the power of telekinesis (the ability to move objects with her mind); her earnest, forlorn attempt to win acceptance from her classmates; and a vicious prank being prepared by several girls in her class, who are unaware of Carrie's new "supernatural" power. It all comes together at the Senior Prom, when the prank sets off a chain reaction of shocks that leave most of the audience numb at the end. Director DePalma is innovative in his purposeful use of slow motion and other special effects. The pacing is carefully timed and the camera work is extraordinary. Lawrence Cohen's screenplay, from Stephen King's novel, deftly primes the audience for the movie's dizzying, hair-raising climax. For sheer power, *Carrie* is a worthy successor to *The Exorcist* and *Jaws.* Rated "R."

—C.F.B.

Richard Pryor, right, helps disguise Gene Wilder as a black man in SILVER STREAK.

• Devoted Woody Guthrie fans may be able to sit through **BOUND FOR GLORY,** a two-and-a-half hour melange of plotless tedium based on Guthrie's autobiography. There is little to interest anyone else in this rambling tale of a not very likeable folk singer. Played by David Carradine, Guthrie comes across as a talented but irresponsible drifter, a "free spirit" who throws away a promising career and neglects his family to indulge his whims. To compound the felony, the film is heaped with the most stale cliches of liberal "social consciousness." In this instance, it's the down-trodden migrant farm workers vs. the greedy, exploiting, violent, tyrannical etc. landowners and food processors. Ronny Cox as a country singer and farm union organizer, Melinda Dillon as Guthrie's long-suffering wife, and Randy Quaid as an out-of-luck farm worker deliver adequate supporting performances. Robert Getchell's screenplay and Hal Ashby's direction creak along slowly, when they move at all. The movie's only superior technical achievement is courtesy of special effects wizard Albert Whitlock and director of photography Haskell Wexler, who capture the reality of a Texas dust bowl storm with vivid imagery. As for the rest of the movie, anyone going to see *Bound for Glory* is probably bound for boredom. Rated "PG."

—C.F.B.

• Here are my picks for the "bests" of 1976, a better-than-average movie year:

Best picture: *Network.*

Best actor: Cliff Robertson in *Obsession.*

Best actress: Faye Dunaway in *Network.*

Best supporting actor: Richard Pryor in *Silver Streak.*

Best supporting actress: Talia Shire in *Rocky.*

Best director: Brian DePalma for *Carrie.* **—C.F.B.**

WASHINGTON WATCH

1977—AN INTERESTING OPPORTUNITY

The coming legislative year could be an opportunity for libertarians to gain a foothold in the legislative process—or maybe not. Predictions must be guarded for one fundamental reason: Jimmy Carter plays things so close to the vest. The reputed transition "insiders" seems to be guessing as much as the outsiders as to just what Jimmy will do. Herewith some brief guesses from a Washington outsider about things which might bode well for libertarians *if we take advantage of them.*

1. Carter will go slow on major new spending programs. He can pay his debt to labor by passing common situs picketing, and the mood is skeptical about new spending.

2. There will be a real concentration on government reorganization. This could provide opportunities for getting serious discussion or deregulation, "sunset" bills, etc. into the public prints. The Carter people will go slow on this, and just might be receptive to new ideas. If we throw enough ideas at them, they could catch one or two.

3. Congress will get moving slowly, especially the Senate, which has 18 new members and is due for a big reorganization tussle. This could give us some time to slip in a few new ideas.

DEREGULATION—STILL A LIVE ISSUE

Most people are assuming that Carter, with his interest in government reorganization, will be backing some kind of regulatory reform. But nobody knows that for sure. Regardless, there will be reform forces at work independently of the new administration.

For some reason Sen. Ted Kennedy has gotten himself committed to airline regulatory reform. His proposal, while far short of a free-market solution, is the best of a batch of proposals to defang the Civil Aeronautics Board (CAB). His Senate Administrative Practices Subcommittee will probably keep pushing for reform next year. These could provide opportunities to make libertarian statements at least. Letters could go to Kennedy or to Strom Thurmond (U.S. Senate, Washington, DC 20510).

If CAB reform is successful there may be a chance for ICC reform. The American Trucking Associations were worried sick over a modest Ford proposal last year, mounting an extensive anti-competition lobbying campaign. Carter's position is unknown, but there is speculation that the Dept. of Transportation's permanent bureaucracy now has an institutional bias in favor of ICC reform. Some pressure is possible.

Relevant Congressional committees include the House Commerce Committee's Subcommittee on Transportation (Fred Rooney, PA, Joe Skubitz, KS) and the House Public Works and Transportation Committee (Robert Jones, AL, William Harsha, OH). The House's most enthusiastic deregulation advocate is probably Millicent Fenwick (R-NJ). Letters to all of these people urging action would be useful (U.S. House of Representatives, Washington, DC 20515).

The Senate Commerce Subcommittee on Surface Transportation was decimated by the elections, so it is an imponderable until the Senate is reorganized.

WRITE THOSE LETTERS

Yes, it's discouraging to write to Congressmen, unless you get a charge out of evasive answers. But letters from home are just about the only things most Congressmen notice, especially where new ideas are concerned. Most of them really don't think deeply about issues, so keep the letters short, simple and confined to one issue. But please write, and use the word "libertarian" from time to time.

ACTION ON "SUNSET" LEGISLATION?

Despite emerging opposition, backers of "sunset" legislation, which would mandate the end of spending programs unless the House and Senate specifically renewed them after comprehensive review, are hoping to see some action next year. Sens. Edmund Muskie (D-ME) and William Roth (R-DE) still support the concept. The Senate Government Operations Committee will probably hold hearings on new legislation.

One mustn't be naive enough to believe that such legislation, even if passed, would mean the wholesale end of useless agencies. But the review procedure would permit critics to get some hard-line critiques of big government into the public record, and maybe somebody would listen.

FREEDOM OF INFORMATION ON GOVERNMENT SNOOPING

An encouraging sign is the number of churches who are using the Freedom of Information Act to try to get copies of the dossiers which various government agencies are keeping on them. Pioneers include the American Friends Service Committee and the Church of Scientology. The Methodists, Mennonites, United Church of Christ and maybe even the Jesuits are also starting to demand to see their FBI, CIA, IRS, and other files.

An interesting bit of consciousness-raising is going on. Most of these people are "social action" veterans of the civil rights and peace movements, who have traditionally looked to government to "protect" the civil rights of minorities and the oppressed. They're starting to understand that government is the enemy of personal rights.

For good information on how to use the Freedom of Information Act, write to the Church of Scientology (2125 S St., N.W., Washington, DC 20008) or the Project on National Security and Civil Liberties (122 Maryland Ave., N.E., Washington, DC 20002) or the American Friends Service Committee (1501 Cherry St., Philadelphia, PA 19102).

Alan W. Bock

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SPOTLIGHT

Free enterprise is alive and well at the Florida East Coast Railway. While other railroads bow to union whims and turn to the government for support, the FEC stands as a model of what railroads can achieve if allowed to run their businesses as they see fit.

Much of the credit for the railway's spectacular performance belongs to its president, 49-year-old Winfred Thornton. In his 17 years with the FEC, he has withstood the wrath of powerful unions, politicians, and judges who were determined to bring the maverick railroad into line. Their failure has left Thornton and FEC chairman Ed Ball in unchallenged control of perhaps the finest railroad in the country.

As even a casual visitor to the line can attest, the Florida East Coast is not just another railroad. The signs of difference are everywhere. Freight cars roll over advanced welded rails for most of the distance between Miami in south Florida and Jacksonville in the north. At a time when many other Class I railroads neglect their roadbeds, or use government subsidies to maintain them, the FEC is replacing timber ties with concrete ones of its own invention. These ties will last about three times as long as the wooden ones.

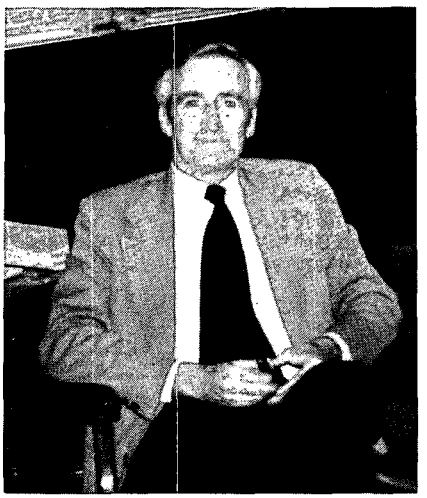
Despite the enormous expense of such innovations, the FEC is almost debt-free. It finances almost all of its improvements through earnings—a remarkable fact when many railroads can only show a profit by letting their roadbeds decay. Thornton's railroad owes its achievement to new work agreements which have shattered traditions established in the last century.

For years, the country's powerful railroad unions have insisted that railroads adhere to outdated work rules. Unions demand that crew members receive a full day's pay for as little as two and a half hours work; if a crew travels 100 miles, for instance, it is considered to have completed a day's job. Extra miles translate into expensive additional compensation. To add insult to this wound, the unions insist that four (and in some cases five) men ride the train on each shift.

Such work rules were taken for granted at the FEC when Thornton arrived there as chief operating officer in 1960. As a former trainmaster and track supervisor for the Southern Railway, Thornton had seen them encumber a railroad renowned for good management and sound finances. The Florida East Coast at the time was renowned for neither. It had been in bankruptcy for decades, its labor-management relations were sour, and the track was deteriorated.

When a Federal mediating board decreed that railroad union employees should receive a 10 cent an hour wage increase in 1962, Thornton and Ball decided that their hapless railroad could not afford to go along. Alone among the major railways, they refused to grant a raise.

The union reaction was predictable:



Winfred Thornton

to call a strike. Although the union leaders did not know it then, they had made an enormous mistake. The strike would last in one form or another for 13 years, and lead the FEC to discover that it could do more business with about one-third of the workforce it employed previously.

"In 1960 a freight train operating from Jacksonville to Miami on the FEC required three five-man crews, or a total of 15 men," Thornton says. "Today that train is operated the entire distance with two men." Where once every train had a caboose with two men, the railroad now runs trains with no cabooses, flagmen, firemen, or brakemen. And safety has improved—not only do the labor savings go into improved track maintenance, but electronic sensors by the roadbed detect potential accidents before they happen.

The unions did not fail in their effort to curb the FEC for want of trying. Picket lines grew increasingly ugly during 1963 as union members saw the success with which the railroad operated with "skeleton" crews. As petty harassment and vandalism proved ineffectual, some strikers turned to other means.

At first, the sabotage posed more danger to property than to life. Jammed switches led to derailments in the train yards, and arson destroyed some railroad property. But then the focus shifted. Strikebreaking engineers came under rifle fire as they rode in trains; Molotov cocktails were thrown at their homes; and more than half a dozen dynamitings hurled trains off the track, once in a densely populated area.

Politicians friendly to the unions were doing their part too. The mayor of Miami, then a candidate for governor who was running a fiercely anti-FEC campaign, forced snail-like speed limits on trains passing through the city. In Washington, President Kennedy and the secretary of labor became increasingly shrill as the railroad's business returned to normal. Kennedy decided the strike constituted an "emergency," and appointed a special board to help end the strike at a time when FEC business was at about 90 percent of the pre-strike level. Thornton commented at the time: "The only 'emergency' is that the unions have lost the strike and want the government to pull their chestnuts out of the fire."

The railroad paid little heed to the board's recommendation that it rehire the strikers and pay them the disputed raise. And finally, circumstances began to shift in favor of Thornton and the FEC. First, the Supreme Court ruled that the railroad had the right to hire strikebreakers. Secondly, the saboteurs made a tactical blunder. Two trains were dynamited one day within 100 miles of the new president, Lyndon Johnson, who had come to Florida to make a speech. The enraged president soon had FBI agents crawling over the area, and arrests of union men were soon forthcoming.

Ever since, life has been looking up for the FEC. Thornton, for one, is attempting to press home the need for loosening the union grip on the industry. "In 1960 the Florida East Coast Railway was essentially in the same circumstances as the Penn Central before its collapse," he told Congress in 1975. "Today, without archaic work rules, the FEC is one of the most modern and efficient railroads in the

United States." He notes that the Penn Central could have made a profit of $387 million—rather than a loss of about half a billion dollars—in the year of its collapse, had it enjoyed the work rules of the FEC.

To date, Congress has paid little heed to the achievement of Thornton's railroad. And Thornton worries that the unhealthy railroads will pull down the healthy ones, much as portrayed in Ayn Rand's *Atlas Shrugged*. "It is my belief that the railroad industry is headed for nationalization unless it can become more competitive and more efficient, and neither of these events will occur under work rules that exist nationwide with the exception of the FEC," he says. The portents for success are not encouraging in view of the political power of the unions. But as Thornton and his railroad have shown, long odds are not always insuperable.

Readers are invited to nominate persons to be featured in this column. Send details to Spotlight, c/o REASON, Box 40105, Santa Barbara, CA 93103.

CORPORATIONS: "PRIVATENESS" AND LEGITIMACY

Liberal intellectuals, in concert with activist lawyers, are waging an important conceptual assault on the American business corporation. This assault is so fundamental in its character that its significance may not be perceived by many within the free market community. These intellectuals are asserting that the American business corporation is not really a "private" entity at all, but actually a governmental (or "quasi-governmental") entity, exercising powers granted by the state over "social" assets.

The consequences that are urged to follow from this conceptualization of the American business corporation include, *inter alia:*

1. Participation of various groups representing the wider community, e.g., workers, local residents, government agencies, "the public," etc., in formal corporate decision making.

2. Opening of corporate deliberations and decision-making to public view.

3. Application of doctrines of due process, fair hearing, right of counsel, and all relevant Bill of Rights freedoms (e.g., free speech) to persons employed by or dealing with a corporation. For example, a customer would be entitled to a hearing before service was terminated for nonpayment of account; an employee would have full free speech guarantees against corporate action in criticizing his employer.

4. Corporate shareholders would be recognized as only one, and not necessarily the most important, constituent to be considered in corporate action; i.e., social responsibility would be recognized as a direct and legitimate corporate obligation, and not simply a matter of good business or personal conscience.

Some of these claims have already arisen in court cases. Perhaps most significant of these have been the attempts to apply due process rules to corporate actions because, implicit in such an application, there follows judicial review. In each of these "due process" cases of which this writer is aware, the defendant corporations were utilities, a class of defendant favored by activists. Thus far the courts have decided that a customer need not be afforded a hearing before discontinuing *electric* service for nonpayment but must receive such a hearing in the case of *gas* or *water* service. The litigating strategy here is to attempt to establish a precedent against a "soft" defendant such as a utility (whose expenses of compliance can simply be added to its rate base) and then later try to expand the precedent to apply to wholly private firms.

This assault on the corporation, of which Ralph Nader's recent book on Federal chartering, *Taming the Giant Corporation,* is merely the most obvious manifestation, seeks to totally politicize and, hence, socialize private corporate wealth through the formation of a climate of informed opinion which accepts the notion that the American business corporation is not really a private entity at all but really a type of public instrumentality, exercising governmental powers over social property that has somehow been taken over by private interests and which ought properly be returned to public accountability. It is an attempt to acquire control of the wealth represented by American corporations by changing the conception of what a corporation is.

The modern business corporation is not only a major pool of private wealth but, perhaps even more important, it is the primary vehicle of private social action. The organization of human endeavors in the marketplace relies more than anything else on the vehicle of the corporation.

The marketplace's superiority over government in the provision of food, clothing, shelter, health care, education, transportation, security, and any of the myriad of human wants depends on the freely functioning instrumentality of the private business corporation. So long as such an institution exists with substantial freedom from government control, the liberals' dreams of total social power will be frustrated and the performance of their existing schemes exposed as failures in comparison to the productivity and vitality of the free market.

To counter this fundamental challenge to the major institution of private capitalism, positive economic arguments are peripheral. It is necessary to join the debate on the conceptual issue of the privateness of the corporation. Nader, for example, points to the existence of the state charter, the legal entity of the corporation, limited shareholder liability, and perpetual life as indicative of the governmental nature of the corporation. To meet this argument, it may be necessary to offer a "private corporation" model which is both historically and analytically consistent.

There are at least two major free market-oriented scholars whose work challenges the conceptual attack of the Naderites. Professor Henry Manne, of the Law and Economics Center of the University of Miami, has produced important challenges of what he refers to as the "higher criticism" of the corporation. Exciting new work is also being done by Professor Robert Hessen, of the Hoover Institution at Stanford. Hessen is working on a major study of the American business corporation entitled *In Defense of the Corporation* which may prove a seminal work in modern thinking about the

(continued on page 48)

FRONTLINES

WORKING FOR INDIVIDUAL RIGHTS

Many activists and supporters of the libertarian political movement focus their attention on the economic issues—taxation, regulation, inflation—and may lose sight of issues which are more important, more basic. The facts indicate that in recent U.S. history, the groups which were most libertarian, and most effective, were the anti-war and anti-draft organizations. If anything, the economic policies of these groups are irrational, but that failing is the fault of libertarians who might know better but are too busy keeping their names "respectable" by eschewing radicalism and left-wing associations.

One of the oldest and best known libertarian organizations is the **American Civil Liberties Union**, with many local affiliates. The tax-exempt ACLU Foundation carries on a number of programs in the courts, such as the National Prison Project. A pending class-action suit against Patuxent Institution in Maryland, for example, charges that the maximum-security institution is unconstitutional and seeks damages on behalf of the inmates. The Patuxent Institution was set up in the 1950's to treat "defective delinquents" by means of behavior modification psychotherapy.

ACLU attorney, Nancy C. Crisman, points out that the Maryland law provides that anyone convicted of a crime and sentenced to serve more than six months is eligible to be sentenced to Patuxent. His criminal sentence is replaced with an indeterminant sentence which can result in his being confined for the rest of his life. In order to get out, prisoners must be judged by a psychiatrist not to be a "danger to society." The suit challenges the premise of the law, that psychiatrists can predict such things. Of the men committed to Patuxent, 50 percent stay in the institution past the expiration of their original criminal sentence.

Fifteen years ago, a British lawyer, Peter Beneson, founded **Amnesty International**, a worldwide organization dedicated to the defense of "prisoners of conscience." The American offices are located at 2112 Broadway, New York, NY 10023 and 3618 Sacramento St., San Francisco, CA 94118. The efforts of Amnesty International have resulted in the release of over 13,000 prisoners. From families, professional associates, religious organizations, and observers A.I. learns the identity of prisoners and investigates each case, finding out as much as possible about the prisoner's background, the details of his arrest, his trial (if any), and his imprisonment. Once the report is complete, a decision is made as to whether the prisoner qualifies for help. If a prisoner has used or advocated violence, he is ineligible—except A.I. will aid any prisoner who has been tortured by the police.

The assistance is remarkably simple, and effective. Members write letters, to the prisoner, to his family, to the officials in charge, the news media, and to government leaders. At the same time, diplomatic protests are filed through friendly governments, the United Nations, and the Council of Europe. There is something about despotism which fears the watchful, disapproving eyes of those concerned with human liberties.

The **International Rescue Committee**, 386 Park Avenue South, New York, NY 10016, has been active since before the Second World War in assisting the victims of totalitarian governments as they escape. The I.R.C. has

A NOTE FROM THE EDITOR OF *REASON PAPERS*

Reason Papers **was published initially because colleagues and friends of the editor had voiced a serious desire for a scholarly, inquiring, and wideranging publication to explore issues related to the development of a good human community. After considering this frequently voiced suggestion, the editor conceived the publication of an interdisciplinary journal of normative studies. The interdisciplinary character of the journal is intended to encourage scholarship that takes as a reasonable presupposition that reality is an integrated whole and capable of being studied by means of reasoned analysis of both ordinary and specialized experience. Its normative emphasis reflects the awareness of a widespread neglect of reasoned concern with problems of evaluation, criticism, and policy guidance. Eschewing sectarianism, the editor nevertheless believed that certain priorities can reasonably be considered as guiding standards to the content and prospects of this publication project. It seemed also sensible that keeping in view the results of work in diverse fields of study makes an understanding of such complicated topics as politics, economics, education, and the arts more likely than focusing exclusively on specialized inquiries.**

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medical teams which work among displaced persons living in refugee camps, resettlement services helping escapees to obtain immigration papers and work permits in their new homes, and it locates missing relatives.

All three of the above organizations depend entirely upon private donations to operate, and all three are centrally active in projects which the libertarian political movement should support. The ideals of peace and justice, after all, were first perceived and incorporated into the political value system of our society by the same writers and intellectuals who held the individual rights of life, liberty, and property above the claims of both Church and State 200 years ago.

CORPORATE RESPONSIBILITY

In the analysis of economic policies and government regulation of business, it is sometimes forgotten that a corporation is controlled by shareholders who have the right to vote on corporate policies. Whereas it would be antilibertarian to advocate a law prohibiting trade with Communist countries, it is perfectly libertarian for the owners of a business to refuse to do business with anyone they may choose. The **Stockholders for World Freedom**, founded by Carl Olson, 4623 San Feliciano Dr., Woodland Hills, CA 91364 has adopted this libertarian approach to the problem of Soviet-American trade.

The program which Olson advocates involves the active participation of stockholders in forming corporate policy, submitting resolutions for the approval of stockholders to be included in proxy information materials, and actively soliciting proxies in some cases. Olson would like to see trade with Communist countries curtailed, on the theory that such trade only shores up the otherwise weak economic systems and fuels hostile military machines. If Ralph Nader's supporters can sit in on stockholder meetings and influence policy, so can Carl Olson.

The **Citibank Economics Department**, 399 Park Ave., New York, NY 10022, has started early in digging the fortifications against a domestic enemy. A recent mailing to thousands of stockholders and others on its mailing list contained a reprint from its corporate newsletter, "Citiviews," about privacy. In a most gentle way, the point was made that bank records are not private and that the public just might want to let their public officials know how they feel about that. Walter B. Wriston, Chairman of Citicorp, is an outspoken advocate of economic freedom and the bank is one of the few which openly endorses free markets. The Economics Department has just published a small book on Credit Allocation, explaining why proposals for this sort of regulation don't work and yield perverse results. They must expect President Carter and the economic illiterates in Congress to try something this year—and the sooner the public at large begins to understand the problems the sooner the idea will be dismissed as silly. A copy is available without charge from the Citicorp Public Affairs Department.

Joe Cobb

COMING NEXT MONTH

REASON for March will feature an important new article by psychologist Nathaniel Branden. Dr. Branden provides insights into how to communicate political ideas to others—without turning them off. Another highlight of the issue is a discussion by Nobel laureate F. A. Hayek on the fallacies involved in attempts at government economic planning. The issue will also feature Alan Reynolds on the blunders of the Federal Energy Agency, and articles discussing the ideas of B. F. Skinner, Robert Nozick, and Arthur Shenfield. Plus Quickies, Washington Watch, Trends, Spotlight, and all of REASON's regular columns and features. Don't miss it!

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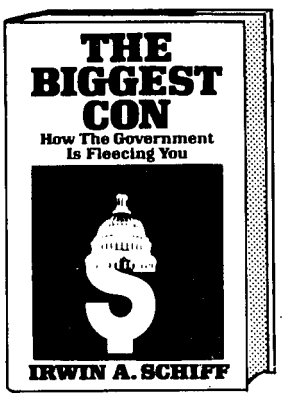

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publisher's notes

• **VOTERS AND NONVOTERS:** Although the turnout in last November's election exceeded some of the more dire predictions, only 53 percent of the 150 million voting-age citizens in fact went to the polls. Nonvoters won a plurality, with 47 percent, with Carter finishing a distant second with some 27 percent, followed by Ford with 25 percent. Libertarian presidential candidate Roger MacBride received approximately 180,000 votes nationwide, finishing behind Eugene McCarthy. The Libertarian Party received more votes nationally than any other third party, including the American Independent Party.

In its November 15 issue, *Time* interviewed some nonvoters, including Richard Deyo and Linda Abrams, both members of the Libertarian Law Council, and Sy Leon, founder of the League of Non-Voters and author of a recent book, *None of the Above.* Among the comments of nonvoters quoted by *Time*, Deyo said "I'm not apathetic about nonvoting. I'm emphatic about it." Leon said, "I don't vote because I don't want to force a second-class decision on my neighbors." *Time* also noted Leon's bumper-sticker which reads "The Lesser of Two Evils Is Evil" and the stickers which Abrams uses on her mail, "Don't Vote—It Only Encourages Them."

Apparently the views of the nonvoters have reached the editorial offices of the *Los Angeles Times,* which had previously editorialized against the "None of the Above" ballot reform proposal. In its election endorsements, the *Times* recommended that Los Angeles citizens vote for Leo Freund for a Municipal Court judgeship, although he had died a few weeks earlier, too late for his name to be taken off the ballot. The *Times* favored a vote for Freund's name because the only other candidate was unqualified. As the *Times* preferred, Freund's name outpolled his opponent, allowing Governor Brown to appoint a successor. In the absence of a qualified, principled candidate, we're pleased to see the willingness of Los Angeles voters to vote for someone who has no chance of taking office, rather than select the lesser of the evils.

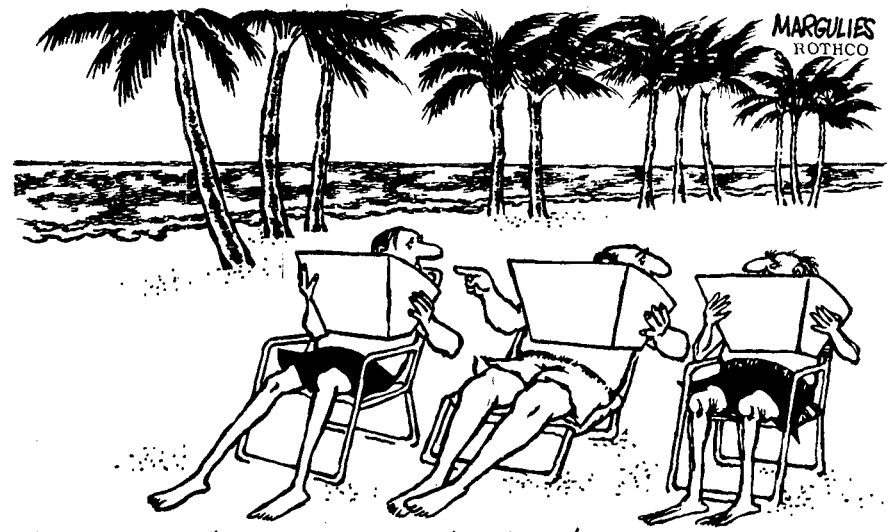
• **FREEDOM CONFERENCE:** The California Libertarian Alliance is organizing The Future of Freedom Conference, the largest libertarian conference ever planned on the West Coast. The conference is scheduled for April 23-24, 1977 at the University of Southern California. The conference will explore libertarian futurology, with special emphasis on the fields of law, economics, technological developments, psychology, political transformation and science fiction. Confirmed speakers include such notables as Murray Rothbard, Nathaniel Branden, John Hospers and Robert LeFevre. Lowell Ponte and Manuel Klausner will act as moderators. Openings are available for those interested in conducting workshop sessions. For further information concerning the conference, contact Shawn Steel, 52 Sunset Ave., Venice, CA 90291, (213) 399-8311 or Dana Rohrabacher, (213) 747-2612.

• **SPACE CONFERENCE:** The American Astronautical Society and AIAA Technical Committee have announced a Conference on Industrialization and Colonization of Space, to take place in the San Francisco Bay Area from October 18-20, 1977. The conference will focus on commercial activities in space over the next ten years. Papers are sought in a variety of subject areas, including technical, space law, space community planning, and economic realities of space. Papers desired in the area of space law include the following topics: property rights in space, internal legal options for space colonies and rights of entrepreneurs in space commerce. A detailed "Call for Papers" is available from the Technical Program Chairman, Paul L. Siegler, EARTH/SPACE, INC., 4151 Middlefield Road, Palo Alto, CA 94303. Abstracts of 200 to 500 words should be sent to Siegler prior to May 1, 1977.

• **PUBLIC SCHOOLS:** Last month's editorial, "Get Big Brother Out of the Schools" and this month's "Trends" describe developments in Oregon where voters have refused to approve taxes to pay for public schools. Voters' hostility to school taxes has also resulted in the recent closing of public schools in Putnam, CN and Toledo, OH, and a number of other school districts may be facing similar situations.

In referring to John Bailey's excellent REASON article on voluntary education in our January editorial, we unfortunately misidentified the author. Our apologies to Mr. Bailey for this error.

• **LOOMPANICS CATALOG:** Loompanics Unlimited, publisher of a detailed index to the first six volumes of REASON (1968-1975) ($4 per copy), has recently issued its latest catalog offering a wide selection of self-liberation books at discount prices. Copies of the catalog are available for $1 from Loompanics Unlimited, Box 264, Mason, MI 48854. ◻



"THIS IS HINKELSON'S FIRST CONGRESSIONAL 'FACT-FINDING' TRIP ABROAD. HE WANTS TO KNOW WHAT THE PRESS WILL ASK HIM ABOUT THIS DAY-LONG SOLAR ENERGY SEMINAR."

LETTERS

(continued from page 9)

brevity.

As an example, let us examine the plank on unions and collective bargaining. The plank obfuscates the central problem—that of the initiation of force by unions or companies (usually by unions in the past few decades), often with the acquiescense of government. The great philosophical gap between our position and almost all other groups is that we hold that it is immoral for the parties to a labor dispute to initiate force against anyone (for instance, strikers or other workers who might wish to work at jobs in a struck plant). Even if disguised by unclear language, our position will not be acceptable to labor leaders, just as our position against bailouts for Lockheed and Penn Central will not be acceptable to many business leaders. Nevertheless, we must make our stands clear in our platform, regardless of whose ox we are goring.

In the same vein of emphasizing the important points, we need to clarify our opposition to "Right to Work" laws. We should oppose these laws *only* in the context of opposition to all government interference in economic affairs and with the understanding that these state laws are not in the least crucial to the solution of the central problem of labor relations. Granted, in a libertarian society, voluntary union-employer employment contracts which exclude non-union people (or blacks, or other minorities) would be tolerated, though libertarians would recognize such agreements as stupid and unjust. But toleration should not imply approval of such unfair objectives and we should not magnify our peripheral disapproval of these innocuous (by comparison) state laws by specifically mentioning them in our platform. The "Right to Work" statement should be thrown out of the plank and the entire plank revised to embody the libertarian principle of non-initiation of force by all concerned in collective bargaining. In labor relations, as in some other areas, the government is not the *only* enemy of justice and individual freedom.

At some time in the near future I plan to write about the platform plank concerning the Middle East and about the atmosphere that prevailed during both the 1975 and 1976 LP national conventions with regard to that troubled region. Some ideas that have been expressed in various libertarian newsletters, as well as some of the 1976 convention rhetoric, need to be examined and perhaps challenged.

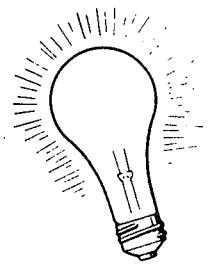
Jim Toole
Orlando, FL

CHILDREN'S RIGHTS

Thomas Johnson's recent letter [November] is a case of sheer special pleading. His only argument for the state is that, since children cannot provide for their own protection, the state must do so instead. If he were prepared to follow the logic of his argument honestly and consistently, he would necessarily also say that, since children cannot provide food or shelter for themselves, the state must provide these, not merely for children but for everyone: in other words, complete socialism. That he is not a socialist shows that his position is purely an ad hoc rationalization for a position he probably cannot defend.

In fact, infants (though not all 'children') are purely dependent on adult good will for everything. However, the best source of that good will is not the state, but individuals who are personally concerned for them. The best means to meet any and all of their needs is through the purchase, by adults, in free markets, of the things necessary. And the best sanction for adult oppressiveness is the certainty that, if one treats one's children badly, they will be free to go elsewhere whenever they choose, without the oppressive impact of legal minority imposed by the very state that Johnson so eagerly defends. If Johnson feels that the market will not provide adequately for children's rights, let him do so himself; but while he benefits from the greater rights of adult status, I can only consider his concern for children's welfare as on a level with the concern of slaveowners for the welfare of their slaves. Johnson's emotionalistic language 'babes of the world' sounds like nothing so much as a 19th century southern white talking about 'carefree darkies.' Anarchists, even those so conservative as Rothbard, have at least gone so far as to want children freed of the legal status of 'childhood,' and recognized that the real meaning of systems where adults make provision for the needs of the young is that the young are not *permitted* to protect themselves. A man who wants to preserve the legal status of childhood and the state which enforces it is no friend of the freedom of those who occupy it.

William H. Stoddard
Chula Vista, CA



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MONEY

(continued from page 43)

nature of the corporation. Hessen, for example, provided an excellent refutation of Nader's above-cited arguments about state charters, etc., in an editorial in *Barron's*, May 24, 1976.

There are, in addition, other problems that need to be faced, such as normative issues of the "rights" of persons acting through a corporation or the problem of "doing justice" to a corporation which has undergone a significant change in ownership.

Ideas have consequences, particularly as they mold our view of the world. Whether a judge or decision maker believes that the business corporation is essentially a private organization of individuals exercising their personal rights in the disposition of their own property, or believes instead that it is a quasi-governmental agency created by the State for public purposes, can be of profound significance in shaping the future of the private sector.

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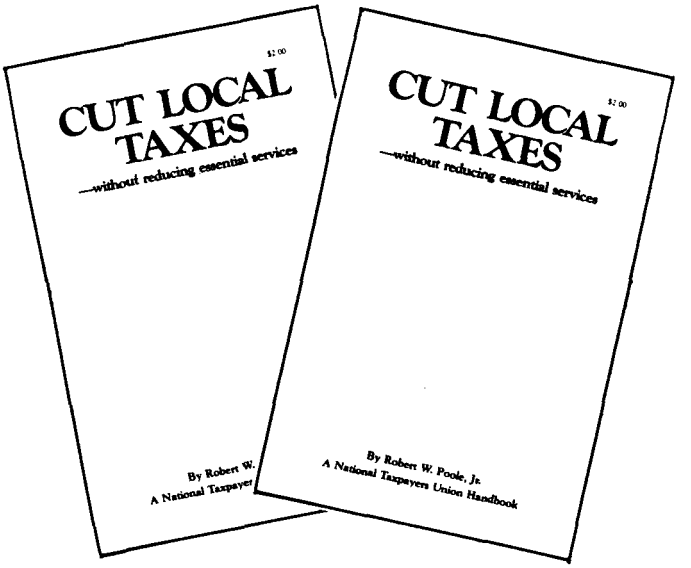

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"Strangest of all," he relates, "was my encounter with the Reserve Bank, which administers Australia's draconian currency exchange regulations. They wished I'd go away, and when they discovered I wouldn't, decided to do something about it. After only *one* meeting, they backed off and I've never been troubled by them since. Governments are made up of little men, and once you realise that, they're easy to handle."

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Ludwig von Mises was one of the century's intellectual giants. In an era of growing collectivism he stood out as the most influential and profound of the free-market economists. He was the mentor of other giants like Nobel Laureate F. A. von Hayek, Hans Sennholz, Wilhelm Roepke, Jacques Rueff, Murray Rothbard, Luigi Einaudi and Ludwig Lachmann. Three years after his death at 92, interest in his thought is soaring as the conventional economic wisdom crumbles.

But if Mises is an institution, the keystone of Austrian School economics, what of Mises the man? In the preface to this delightful memoir, his wife of thirty-five years writes:

"My husband was a very reserved person. While he was kind and friendly to all, he was extremely self-restrained and uncommunicative about his own life and affairs. . . . His feelings belonged only to me. I have reason to believe that I am the only person who really knew him.

"That is why I have written this book. . . . By telling the story of our life together, I shall try to reveal Ludwig von Mises as he really was: a great thinker, a great scholar, a great teacher—but still a lonely man with a great need for love and affection."

Here, then, is Mises the man. "Lu." An institution humanized. With wit and Old World grace, Mrs. von Mises tells of the early years, the flight from Nazi tyranny, the difficult first years in America, the story behind the classic *Human Action*, the famous NYU seminar, the last years.

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